

# IIROC NOTICE

## Rules Notice

### Notice of Approval/Implementation

IIROC Rules

Rule Connection:  
[IIROC Rules](#)

**22-0191**

**December 15, 2022**

*Please distribute internally to:*

Credit

Institutional

Legal and Compliance

Operations

Regulatory Accounting

Retail

Senior Management

Trading Desk

Contact:  
Member Regulation Policy  
e-mail: [memberpolicymailbox@iiroc.ca](mailto:memberpolicymailbox@iiroc.ca)

## **Amendments to the IIROC Rules and Form 1 relating to the futures segregation and portability customer protection regime**

### **Executive Summary**

The Canadian Securities Administrators (**CSA**) have approved the amendments to the IIROC Rules and Form 1 relating to the futures segregation and portability customer protection regime (the **Amendments**). We originally published the Amendments for public comment in IIROC Rules Notice 21-0113 followed by their republication for comment in Notice 22-0060.

We are also publishing guidance outlining our expectations for the porting disclosure document, books and records and related margin requirements (**Guidance**).

When the amalgamation of IIROC and the Mutual Fund Dealers Association of Canada (MFDA) becomes effective on January 1, 2023, the Investment Dealer and Partially Consolidated Rules (**IDPC Rules**) for the new Self-Regulatory Organization will come into effect. The Amendments will be adopted into the IDPC Rules under the transitional provision in subsection 1105(1)(iv) of the IDPC Rules.

The Amendments and the Guidance will be effective as indicated in section 5 of this notice.



## 1. Background

The Canadian Derivatives Clearing Corporation (**CDCC**) is implementing a new customer protection segregation and portability (**Seg and Port**) regime intended to meet international standards for the protection of clients in the event of a default of a clearing participant. CDCC's Seg and Port regime is based on the use of a gross customer margin (**GCM**) model, and empowers CDCC to more rapidly port (transfer) client positions and related collateral from a clearing member that is in default to a different clearing member.

To accommodate the Seg & Port regime, IIROC published for comments amendments to the IIROC Rules in Notice 21-0113. The feedback received and further development in CDCC's Seg and Port regime led to the republication of proposed amendments to IIROC Rules as detailed in Notice 22-0060.

## 2. Comments received

We received one public comment letter in response to the 2022 republication of the proposed amendments published in Notice 22-0060. We provide a summary of these comments and our response in Appendix E.

## 3. The Amendments

The Amendments align our requirements with the corresponding rule changes at CDCC. Their main objective is to:

- reduce the potential funding drain resulting from the GCM model and to reduce the integration between futures accounts and non-futures accounts, and
- increase the likelihood of clients porting their futures positions from a defaulting clearing Dealer Member to a different clearing Dealer Member.

The Amendments:

- require disclosure to clients on the risks, benefits, conditions and requirements of porting futures contracts and futures contract option positions (collectively, futures positions) to a replacement Dealer and require client acknowledgement of the porting disclosure document,
- require daily records to identify and distinguish GCM futures positions and related collateral from other positions and accounts and require that Dealer Members maintain a client identification record for client accounts subject to the GCM model,
- set higher margin requirements for institutional client futures positions and allow use of SPAN margining to harmonize IIROC futures client margin requirements with the new CDCC GCM model,
- apply stricter criteria to continue to qualify for reduced margin for client cross-product hedges between futures positions and underlying securities, and



- eliminate the possibility of client guarantees and use of client excess margin between futures accounts and non-futures accounts.

The blackline text of the Amendments to the IIROC Rules is set out in Appendix A and a clean copy is set out in Appendix B. The blackline text of the Proposed Amendments to Form 1 is set out in Appendix C and a clean copy of the changes is set out in Appendix D.

### **3.1 Adoption into IDPC Rules**

The IIROC Rules will be replaced by the IDPC Rules on January 1, 2023. The Amendments will be adopted into the IDPC Rules and associated Form 1 under the transitional provision in subsection 1105(1)(iv) of the IDPC Rules.

When the Amendments are adopted into the IDPC Rules and associated Form 1 the word “*IIROC*” will be replaced with “*the Corporation*” in the following sections of the Amendments:

- Clause 5725(2)(ii)
- Subsection 5776(4)
- Subsection 5790(8)
- Form 1 Part II – Schedule 4 Notes and instructions – Note (1)
- Form 1 Part II – Schedule 4 Notes and instructions – Note (7)

A blackline copy of these sections is in Appendix F.

## **4. The Guidance**

In Notice 22-0060, we stated our intention to publish guidance to provide further clarification on the requirements for porting disclosure documents, books and records and margin requirements related to the futures segregation and portability customer protection regime. Concurrent with this notice, we are publishing Guidance Note GN-3200-22-002, *Futures segregation and portability customer protection regime guidance*.

## **5. Implementation**

The Amendments (except for clause 3261(1)(ii)) and the Guidance are effective upon the implementation of CDCC’s rule amendments for the GCM Model Initiative on March 31, 2023.

For clause 3261(1)(ii), the effective date is March 31, 2023 for new clients and December 31, 2024 for existing clients.

If the implementation of CDCC’s rule amendments for the GCM Model Initiative is extended beyond March 31, 2023, the implementation of the Amendments will be extended accordingly.

## **6. Appendices**

[Appendix A](#) – Blackline copy of Amendments to IIROC Rules

[Appendix B](#) – Clean copy of Amendments to IIROC Rules



[Appendix C](#) – Blackline copy of Form 1

[Appendix D](#) – Clean copy of Form 1

[Appendix E](#) – IIROC staffs’ response to public comments on the 2022 proposed amendments

[Appendix F](#) – Blackline copy of sections impacted by adoption into IDPC Rule

## INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

## AMENDMENTS TO IIROC RULES AND FORM 1 RELATING TO THE FUTURES SEGREGATION AND PORTABILITY CUSTOMER PROTECTION REGIME

## CLEAN COPY OF AMENDMENTS TO IIROC RULES

**Amendment #1** – IIROC Rule subsection 1201(2) is amended by adding the following definitions in alphabetical sequence:

“domestic gross customer margin model”	A framework to comply with a <i>futures segregation and portability customer protection regime</i> where the amount of margin that a <i>Dealer Member</i> must post on behalf of its clients to a clearing corporation in Canada is the sum of the amounts of margin required for each client.
“futures segregation and portability customer protection regime”	A set of rules and procedures that enable a clearing corporation to operate according to the standards outlined in Principle 14 of the Principles for Financial Market Infrastructures published by the Bank for International Settlements and the International Organization of Securities Commissions, regarding client futures positions and collateral that support these positions.

**Amendment #2** – IIROC Rule 3200 is amended by adding new section 3261 as follows:

**3261. Futures porting disclosures**

- (1) Where the client account is subject to a *futures segregation and portability customer protection regime*, a *Dealer Member* must:
  - (i) provide the client with a porting disclosure document on the benefits, risks and requirements for porting, including the conditions for porting positions to a replacement clearing member,
  - (ii) obtain the client’s acknowledgement that the client has received and understood the porting disclosure document or similar document described in clause 3261(1)(i), and
  - (iii) notify the client of the obligation of the *Dealer Member* to provide the clearing corporation with information and reports related to the client’s positions.

**3262. – 3269. Reserved.**

**Amendment #3** – IIROC Rule section 3814 is amended to add subsection 3814(3) as follows:

**3814. Commodity record**

- (1) A *Dealer Member* must maintain a commodity *record* or ledger, for each commodity as of the trade date, of all long positions or short positions in *futures contracts* carried for the *Dealer Member’s* account or for the account of clients.

- (2) The commodity *record* or ledger must contain the name or designation of the account in which each position is carried.
- (3) As part of the *records* required under subsection 3814(1), a *Dealer Member* must maintain a daily *record* that separately identifies the client positions and associated collateral for *futures contracts* and *futures contract options* that are subject to the *domestic gross customer margin model*.
- (4) A *Dealer Member* must maintain a client identification *record*, for accounts subject to the *domestic gross customer margin model*, that includes the client identification information required by the clearing corporation for porting of client accounts.

**Amendment #4** – IIROC Rule sections 5130 is amended to replace the term “clearing corporation” with “recognized option clearing corporation” as follows:

**5130. Definitions**

.

.

.

- (9) For positions in and offsets involving *derivative* products, the term:

“recognized option clearing corporation”	The Canadian Derivatives Clearing Corporation, the Options Clearing Corporation or any other corporation or organization recognized by the <i>Board</i> .
“escrow receipt”	A document issued by a financial institution approved by a <i>recognized option clearing corporation</i> certifying that a security is held and will be delivered by that financial institution when a specified <i>option</i> is exercised.

**Amendment #5** – IIROC Rule sections 5617 through 5624 are amended to add an additional subsection to restrict client account offsets. In the French version, those sections are also amended to correct a recurring grammar error:

**5617. Offsets involving government debt securities and Government of Canada notional bond futures contracts with same underlying issuer and same maturity bands**

- (1) Where a *Dealer Member* or a client has the following pairing:

<b>Long (short) position</b>		<b>Short (long) position</b>
(i) <i>Canada debt securities</i>	and	Government of Canada notional bond <i>futures contract</i>

and the positions have the same currency denomination and *market value* and are within the same *maturity band*, the two positions may be offset and the minimum margin required for both positions may be computed with respect to the net long or net short position only.

- (2) For a client account offset as set out in subsection 5617(1), the *futures contracts* must be excluded from the *domestic gross customer margin model*.

**5618. Other offsets involving government debt securities and Government of Canada notional bond futures contracts**

- (1) Where a *Dealer Member* or a client has one of the following long (short) government *debt security* position and short (long) Government of Canada notional bond *futures contract* position pairings:

	<b>Long (short) position</b>	<b>Short (long) position</b>
(i)	<i>Canada debt securities</i> in different <i>maturity band</i> and	Government of Canada notional bond <i>futures contract</i>
(ii)	<i>Canada Provincial debt securities</i> in same or different <i>maturity band</i> and	Government of Canada notional bond <i>futures contract</i>
(iii)	<i>Canada Municipal debt securities</i> with a high issuer credit rating in same <i>maturity band</i> and	Government of Canada notional bond <i>futures contract</i>

and the positions have the same currency denomination and *market value*, the two positions may be offset and the minimum margin required for both positions may be computed as 50% of the greater of the margins normally required on the long (or short) and the short (or long) positions.

- (2) In subsection 5618(1) “*Canada Municipal debt securities* with a high issuer credit rating” are *debt securities* issued or guaranteed by a Canadian municipal government with a long-term issuer credit rating of “A” or higher by a *designated rating organization*.
- (3) For a client account offset as set out in subsection 5618(1), the *futures contracts* must be excluded from the *domestic gross customer margin model*.

**5622. Offsets involving Canadian chartered bank acceptances and Canadian bankers acceptance futures contracts with same maturity bands**

- (1) Where a *Dealer Member* or a client has the following pairing:

	<b>Long (short) position</b>	<b>Short (long) position</b>
(i)	highly rated <i>chartered bank</i> acceptances and	<i>Canadian banker acceptance futures contract</i>

and the positions have the same currency denomination and *market value* and are within the same *maturity band*, the two positions may be offset and the minimum margin required for both positions may be computed with respect to the net long or net short position only.

- (2) In subsection 5622(1) “highly rated *chartered bank* acceptances” are bank acceptances currently rated “A” or higher by a *designated rating organization*.
- (3) For a client account offset as set out in subsection 5622(1), the *futures contracts* must be excluded from the *domestic gross customer margin model*.

**5624. Offsets involving commercial and corporate debt securities and Government of Canada notional bond futures contracts**

- (1) Where a *Dealer Member* or a client has one of the following long (short) commercial and corporate *debt security* position and short (long) Government of Canada notional bond *futures contract* position pairings:

<b>Long (short) position</b>	and	<b>Short (long) position</b>
(i) highly rated non-convertible commercial and corporate <i>debt securities</i>		Government of Canada notional bond <i>futures contract</i>

and the positions have the same currency denomination and *market value* and are within the same *maturity band*, the two positions may be offset and the minimum margin required for both positions may be computed as the greater of the margins normally required on the long (or short) and the short (or long) positions.

- (2) In subsection 5624(1) “highly rated non-convertible commercial and corporate *debt securities*” are non-convertible commercial and corporate *debt securities* currently rated “A” or higher by a *designated rating organization*.
- (3) For a client account offset as set out in subsection 5624(1), the *futures contracts* must be excluded from the *domestic gross customer margin model*.

**Amendment #6** – IIROC Rule section 5671 is amended to remove reference to client accounts as follows:

**OFFSETS ONLY AVAILABLE FOR DEALER MEMBER INVENTORY POSITIONS**

**DEBT SECURITIES**

- 
- 
- 

**5671. Offsets involving Canadian government debt or Canadian listed equity securities and futures and forward contracts**

- (1) Where a *Dealer Member* has a position in bonds, debentures or treasury bills issued or guaranteed by the Government of Canada or in *equity securities* listed on the Toronto Stock Exchange and the account has an offsetting futures or forward contract position on the same security, the positions may be offset and the minimum margin required for the positions may be computed with respect to the net long or net short position only.

**Amendment #7** - IIROC Rule sections 5714 and 5725 are amended to replace the term “clearing corporation” with “recognized option clearing corporation” as follows:



**5714. Treatment of option positions issued by different recognized option clearing corporations**

- (1) If a *Dealer Member* account or a client account holds *options* issued by different *recognized option clearing corporations*, with the same *underlying interest*, they may be treated as being equivalent when calculating margin for the account.

**5725. Hedged option positions**

- (1) No margin is required for the following *exchange-traded option* and collateral position combinations held in *equivalent quantities* in a *Dealer Member* inventory or client account:

	<b>Exchange-traded option position</b>		<b>Acceptable collateral</b>
(i)	Short <i>call option</i> with an equity, <i>index</i> , <i>index participation unit</i> , debt or currency <i>underlying interest</i>	and	<i>escrow receipt</i> evidencing the deposit of the <i>underlying security</i>
(ii)	Short <i>put option</i> with an equity, <i>index</i> , <i>index participation unit</i> , debt or currency <i>underlying interest</i>	and	<i>escrow receipt</i> evidencing the deposit of government securities
(iii)	Short <i>put option</i> with an equity, <i>index</i> , <i>index participation unit</i> , debt or currency <i>underlying interest</i>	and	letter of <i>guarantee</i>

provided the conditions in subsections 5725(2) and 5725(3) are met.

- (2) For an *escrow receipt* to be acceptable collateral in subsection 5725(1):
- (i) the issuer of the *escrow receipt* must be a financial institution approved by the *recognized option clearing corporation*,
- and
- (ii) all *recognized option clearing corporation* agreements must be signed and delivered to the *recognized option clearing corporation* and available for inspection by *IIROC* on request,
- and
- (iii) in the case of an *escrow receipt* evidencing the deposit of government securities, the securities must:
- (a) be acceptable forms of *recognized option clearing corporation* margin,
- (b) mature within one year of their deposit, and
- (c) have a *market value* of greater than 110% of the *aggregate exercise value* of the short *put option*.
- (3) For a letter of *guarantee* to be acceptable collateral in subsection 5725(1):

- (i) the issuer must be:
  - (a) a financial institution approved by the *recognized option clearing corporation* to issue *escrow receipts*,
  - and
  - (b) a *chartered bank*, a Québec savings bank or a trust company licensed to do business in Canada, with a minimum paid-up capital and surplus of \$5,000,000,
  - and
- (ii) the letter must certify that the bank or trust company:
  - (a) holds on deposit for the client’s account cash equal to the full *aggregate exercise value* of the *put option* and that amount will be paid to the *recognized option clearing corporation* against delivery of the *underlying interest* hedged by the *put option*,
  - or
  - (b) unconditionally and irrevocably guarantees to pay the *recognized option clearing corporation* the full amount of the *aggregate exercise value* of the *put option* against delivery of the *underlying interest* hedged by the *put option*,
  - and
- (iii) the *Dealer Member* must deliver it to the *recognized option clearing corporation* and the *recognized option clearing corporation* must accept it as margin.

**Amendment #8** - IIROC Rule sections 5760 through 5765 are amended to add an additional subsection to restrict client account offsets as follows:

**EXCHANGE-TRADED OPTIONS - FUTURES AND OPTIONS COMBINATIONS AND CONVERSIONS**

**5760. Long index futures contract - short call option combination**

- (1) Where a *Dealer Member* inventory or client account contains one of the following exchange traded *futures contract* and *exchange-traded option* contract combinations:

<b>Long futures position</b>		<b>Short option position</b>
(i) <i>index futures contracts</i>	and	<i>index call option</i> based on the same <i>index</i>
(ii) <i>index futures contracts</i>	and	<i>index participation unit call option</i> based on the same <i>index</i>

and *equivalent quantities* of each position in the combination are held and the *options* and *futures contracts* have the same settlement date or can be settled in either of the two nearest contract months, the minimum margin required for the combination is calculated in accordance with subsection 5760(2).

- .
- .
- (3) For a client account offset as set out in subsection 5760(1) the *index futures contracts* must be excluded from the *domestic gross customer margin model*.

**5761. Long futures contracts - long put option combination**

- (1) Where a *Dealer Member* inventory or client account contains one of the following exchange traded *futures contract* and *exchange-traded option* contract combinations:

<b>Long futures position</b>	and	<b>Long option position</b>
(i) <i>index futures contracts</i>		<i>index put option</i> based on the same <i>index</i>
(ii) <i>index futures contracts</i>		<i>index participation unit put option</i> based on the same <i>index</i>

and *equivalent quantities* of each position in the combination are held and the *options* and *futures contracts* have the same settlement date or can be settled in either of the two nearest contract months, the minimum margin required for the combination is calculated in accordance with subsections 5761(2) and 5761(3).

- .
- .
- .
- (4) For a client account offset as set out in subsection 5761(1) the *index futures contracts* must be excluded from the *domestic gross customer margin model*.

**5762. Short futures contracts - long call option combination**

- (1) Where a *Dealer Member* inventory or client account contains one of the following exchange traded *futures contract* and *exchange-traded option* contract combinations:

<b>Short futures position</b>	and	<b>Long option position</b>
(i) <i>index futures contracts</i>		<i>index call option</i> based on the same <i>index</i>
(ii) <i>index futures contracts</i>		<i>index participation unit call option</i> based on the same <i>index</i>

and *equivalent quantities* of each position in the combination are held and the *options* and *futures contracts* have the same settlement date or can be settled in either of the two nearest contract months, the minimum margin required for the combination is calculated in accordance with subsections 5762(2) and 5762(3).

- (4) For a client account offset as set out in subsection 5762(1), the *index futures contracts* must be excluded from the *domestic gross customer margin model*.

**5763. Short futures contracts - short put option combination**

- (1) Where a *Dealer Member* inventory or client account contains one of the following exchange traded *futures contract* and *exchange-traded option* contract combinations:

<b>Short futures position</b>		<b>Short option position</b>
(i) <i>index futures contracts</i>	and	<i>index put option</i> based on the same <i>index</i>
(ii) <i>index futures contracts</i>	and	<i>index participation unit put option</i> based on the same <i>index</i>

and *equivalent quantities* of each position in the combination are held and the *options* and *futures contracts* have the same settlement date or can be settled in either of the two nearest contract months, the minimum margin required for the combination is calculated in accordance with subsection 5763(2).

.  
.
   
.

- (3) For a client account offset as set out in subsection 5763(1), the *index futures contracts* must be excluded from the *domestic gross customer margin model*.

**5764. Futures conversion or long tripo combination**

- (1) Where a *Dealer Member* inventory or client account contains one of the following exchange traded *futures contract* and *exchange-traded option* contract combinations:

<b>Long futures position</b>		<b>Long option position</b>		<b>Short option position</b>
(i) <i>index futures contracts</i>	and	<i>index put option</i> based on the same <i>index</i>	and	<i>index call option</i> based on the same <i>index</i>
(ii) <i>index futures contracts</i>	and	<i>index participation unit put option</i> based on the same <i>index</i>	and	<i>index participation unit call option</i> based on the same <i>index</i>

and *equivalent quantities* of each position in the combination are held and the *options* contracts have the same expiry date and the *options* and *futures contracts* have the same settlement date or can be settled in either of the two nearest contract months, the minimum margin required for the combination is calculated in accordance with subsection 5764(2).

.  
.
   
.

- (3) For a client account offset as set out in subsection 5764(1), the *index futures contracts* must be excluded from the *domestic gross customer margin model*.

**5765. Reconversion or short trip combination**

- (1) Where a *Dealer Member* inventory or client account contains one of the following exchange traded *futures contract* and *exchange-traded option* contract combinations:

	<b>Short futures position</b>		<b>Long option position</b>		<b>Short option position</b>
(i)	<i>index futures contracts</i>	and	<i>index call option</i> based on the same <i>index</i>	and	<i>index put option</i> based on the same <i>index</i>
(ii)	<i>index futures contracts</i>	and	<i>index participation unit call option</i> based on the same <i>index</i>	and	<i>index participation unit put option</i> based on the same <i>index</i>

and *equivalent quantities* of each position in the combination are held and the *options* contracts have the same expiry date and the *options* and *futures contracts* have the same settlement date or can be settled in either of the two nearest contract months, the minimum margin required for the combination is calculated in accordance with subsection 5765(2).

.  
.  
.

- (3) For a client account offset as set out in subsection 5765(1), the *index futures contracts* must be excluded from the *domestic gross customer margin model*.

**5766. - 5769. Reserved.**

**Amendment #9** - IIROC Rule section 5772 is amended to add subsection 5772(4) to restrict client account offsets as follows:

**5772. Index futures contracts - qualifying baskets of index securities or index participation units**

- (1) Where a *Dealer Member* inventory or client account contains the following combination:

	<b>Long (short) futures position</b>		<b>Short (long) position</b>
(i)	<i>index futures contracts</i>	and	<i>qualifying basket of index securities</i> of the same <i>index</i>
(ii)	<i>index futures contracts</i>	and	<i>index participation units</i> based on the same <i>index</i>

and *equivalent quantities* of each position in the combination are held, the minimum margin is calculated in accordance with subsection 5772(2).

.  
.  
.

- (4) For a client account offset as set out in subsection 5772(1), the *index futures contracts* must be excluded from the *domestic gross customer margin model*.

**Amendment #10** - IIROC Rule section 5776 is amended to insert subsection 5776(2) for the use of SPAN in client accounts as follows:

**5776. Optional use of the Standard Portfolio Analysis methodology**

- (1) For a *Dealer Member* inventory account constituted exclusively of positions in *derivatives* listed at the Bourse de Montréal, the margin required may be the one calculated by the Standard Portfolio Analysis methodology using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation.
- (2) For client accounts subject to the *domestic gross customer margin model* constituted exclusively of positions in *derivatives* listed at the Bourse de Montréal, the margin required may be the one calculated by the Standard Portfolio Analysis methodology using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation.
- (3) If the *Dealer Member* selects the Standard Portfolio Analysis methodology, the margin requirements calculated under this methodology will supersede the requirements stipulated in these Rules.
- (4) *IIROC* may restrict the application of this section 5776, if it considers continued use of the Standard Portfolio Analysis methodology to be inappropriate for *Dealer Member* or client margin requirements.

**Amendment #11** - IIROC Rule subsection 5782(2) is amended to replace the term “acceptable clearing corporation” with “recognized option clearing corporation” for consistency with sections 5714 and 5725:

**5782. Hedged option positions**

- (1) No margin is required for the following *over-the-counter option* and collateral position combinations held in *equivalent quantities* in a *Dealer Member* inventory or client account:

	<b>Over-the-counter option position</b>	<b>Acceptable collateral</b>
(i)	Short <i>call option</i> with an equity, <i>index</i> , and <i>index participation unit</i> , debt or currency <i>underlying interest</i>	<i>escrow receipt</i> evidencing the deposit of the <i>underlying security</i>
(ii)	Short <i>call option</i> with an equity, <i>index</i> , and <i>index participation unit</i> , debt or currency <i>underlying interest</i>	<i>escrow receipt</i> evidencing the deposit of government securities

provided the conditions in subsection 5782(2) are met.

- (2) For an *escrow receipt* to be acceptable collateral in subsection 5782(1) the issuer of the *escrow receipt* must be a financial institution approved by a *recognized option clearing corporation*.

**Amendment #12** - IIROC Rule section 5790 is amended to insert subsection 5790(2) and clauses 5790(3)(i) and (ii) as follows:

## **FUTURES CONTRACTS AND FUTURES CONTRACT OPTIONS**

### **5790. Minimum margin requirements**

- (1) Where a *Dealer Member* inventory or client account contains positions and offsets in *futures contracts* or *futures contract options*, the margin required is the greatest of:
  - (i) the margin required by the futures exchange on which the contract is entered into,
  - (ii) the margin required by the clearing corporation, and
  - (iii) the margin required by the *Dealer Member's* clearing broker, where applicable.
- (2) Where a client in subsections 5790(1) or 5776(2) is an *acceptable institution, acceptable counterparty or regulated entity*, the *Dealer Member* must include the margin deficiency in the margin on client or brokers and dealers accounts when calculating its *risk adjusted capital*, as of the date the deficiency occurs, where the *Dealer Member*:
  - (i) does not promptly call for margin, or
  - (ii) has promptly made a call for margin, but has not received the required margin by the end of the next trading day after the date the deficiency occurs.
- (3) Where a *Dealer Member* or a client, owns a commodity and also has a short position in a *futures contract* in the same commodity, the two positions may be offset and the required margin shall be computed with respect to the net long or net short position where:
  - (i) ownership of the commodity is evidenced by warehouse receipts or comparable documentation, and
  - (ii) the *futures contract* position is not subject to the *domestic gross customer margin model*.
- (4) Where a futures exchange or its clearing corporation prescribes margin requirements based on initial and maintenance rates, the margin required at the time the contract is entered shall be based on the prescribed initial rate. When subsequent adverse price movements in the value of the contracts reduce the margin on deposit to an amount below the maintenance level, a further amount to restore the margin on deposit to the initial rate amount shall be required. The *Dealer Member* may, in addition, require such further margin or deposit against liability as it may consider necessary as a result of fluctuations in market prices from time to time.
- (5) Where client trades are executed through an omnibus account, the *Dealer Member* shall require margin from each of its clients as though the trades were executed in separate fully disclosed accounts.
- (6) Where spread margins are permitted in a client account, the *Dealer Member* shall note this in the margin records for this account.

- (7) Where a *Dealer Member's* inventory account holds inter-commodity spreads in Government of Canada bond *futures contracts* and U.S. treasury bond *futures contracts* traded on a futures exchange in Canada and the United States and *equivalent quantities* of each position in the spread are held, the margin required is the greater of the margin required on either the long side or the short side only. For this purpose, the foregoing spreads shall be on the basis of \$1.00 Canadian for each \$1.00 U.S. of the contract size of the relevant *futures contracts*. With respect to the United States side of the above inter-commodity spreads, such positions must be maintained on a contract market as designated pursuant to the United States Commodity Exchange Act.
- (8) *IIROC* may prescribe, in its discretion, higher or lower margin requirements for any account or *person* that holds positions in *futures contracts* or *futures contract options*.

**5791. - 5799. Reserved.**

**Amendment #13** - *IIROC* Rule section 5820 is amended to add clauses 5820(1)(vi) and (vii) as follows:

**5820. General account guarantee requirements**

- (1) Subject to the requirements in sections 5821 and 5822, a *Dealer Member* may permit a client (the guarantor) to *guarantee* the accounts of another client provided:
- (i) the *Dealer Member* informs the guarantor in writing of the initial contingent liability they will be assuming by signing the *guarantee* agreement,
  - (ii) the *Dealer Member* discloses to the guarantor in writing that the suitability of transactions in the guaranteed client's accounts will not be reviewed in relation to the guarantor,
  - (iii) the guarantor signs an approved written *guarantee* agreement with the *Dealer Member* that:
    - (a) identifies the guarantor by name,
    - (b) identifies the guarantor accounts that are to be used to provide the *guarantee*,
    - (c) identifies the accounts of the other client that are subject to the *guarantee*,
    - (d) binds the guarantor, its successors, assigns and personal legal representatives, and
    - (e) contains the minimum terms set out in subsection 5825(1),
  - (iv) the guaranteed client consents in writing to the *Dealer Member* providing the guarantor, at least quarterly, with the guaranteed client's account statements,
  - (v) where the guarantor does not object, the guarantor is sent, at least quarterly, the guaranteed client's account statements,
  - (vi) the guarantor's accounts that are not subject to a *futures segregation and portability customer protection regime* are not guaranteeing any accounts that are subject to a *futures segregation and portability customer protection regime*, and



- (vii) the guarantor's accounts that are subject to a *futures segregation and portability customer protection regime* are not guaranteeing any accounts that are not subject to a *futures segregation and portability customer protection regime*.
- (2) Where the guaranteed client does not consent to providing account statements, the *Dealer Member* must notify the guarantor in writing of the guaranteed client's refusal and that the *guarantee* agreement will not be accepted for margin reduction purposes.

**Comments Received in Response to Rules Notice 22-0060 – Rules Notice – Request for Comments – IIROC Rules – Republication of proposed amendments to the IIROC Rules relating to the futures segregation and portability customer protection regime**

On April 21, 2022, we issued Notice 22-0060 requesting comments on the republication of proposed amendments to the IIROC Rules relating to the futures segregation and portability customer protection regime. IIROC received one comment letter from the following commenter:

RBC Dominion Securities Inc.

A copy of this comment letter is publicly available on IIROC’s website ([www.iiroc.ca](http://www.iiroc.ca)). The comments we received and our responses to them are summarized in the table below.

Summary of Comment	IIROC Response
<b>Collateral Pool</b>	
<p>1. The commenter requests clarification on:</p> <ul style="list-style-type: none"> <li>maintaining internal collateral pool accounts for the CDS pledge account and CDCC collateral pools,</li> <li>pledging of collateral to CDCC for client positions.</li> </ul>	<p>IIROC’s understanding is that CDS will continue to have one pledge account for securities pledged as collateral to CDCC and the collateral will be allocated to separate pools at CDCC but not separate accounts. At a minimum, IIROC expects the Dealer Member (<b>Dealer</b>) to record and reconcile the total collateral pledged to CDCC for the purpose of meeting the general requirements to maintain records under section 3804 and provide an audit trail to support and prepare regulatory financial reports, as indicated in section 3801.</p> <p>The IIROC Rules do not require the Dealer to provide, to the clearing corporation, the specific type of collateral that the client deposited to the Dealer. However, the clearing corporation (e.g. CDCC) may have rules which restrict the type of acceptable collateral that may be pledged to meet margin requirements. The Dealer may pledge an alternative form of collateral (from the type received from</p>

	the client) to meet CDCC’s margin requirements for client positions to the extent the collateral meets the eligibility requirements of CDCC.
<b>Review Frequency</b>	
2. The commenter requests clarification on how the proposed amendments may impact segregation requirements in section 4319 of the IIROC Rules and whether amendments to section 4319 would be considered.	<p>The daily GCM report will require Dealers to keep a record of the collateral provided by the client and the associated client futures positions subject to the GCM model. The scope of this record is to identify the collateral deposited by the client at the Dealer that relates specifically to futures positions that are subject to the gross customer margin (GCM) model. This report would separate the collateral associated with the GCM futures positions from collateral the client deposited for non-GCM futures positions. While there is no specific requirement that the daily GCM record identify which portion of the collateral is segregated, any segregated securities must be described as being held in segregation on the Dealer’s security position record, client ledger and statement of account in accordance with section 4328.</p> <p>Section 4319 outlines the minimum frequency for determining the securities required to be segregated. Section 4329 requires a Dealer Member to produce a segregation report at least twice weekly. Dealers may choose to determine segregation and produce reports on a more frequent basis based on their business activities and operations. IIROC is evaluating the frequency and timelines for the determination and review of segregation deficiencies and may propose amendments in the future.</p>
<b>Client Disclosure and Acknowledgement</b>	
3. The commenter requests clarification on: <ul style="list-style-type: none"> <li>• whether there will be a standardized client porting disclosure template,</li> <li>• whether disclosure is required for all existing and new clients, and</li> </ul>	<p>IIROC has drafted a sample porting disclosure document to support consistency in the porting disclosures provided to clients. This sample porting disclosure document is included as an Appendix to the Guidance Note GN-3200-22-002. CDCC has drafted a Factsheet for the CDCC Gross Client Margin (GCM) Regime which provides the details on the porting process and risks. This Factsheet should</p>

- our expectations with regards to the Dealer obligation of obtaining client acknowledgement, given the challenges with obtaining responses from clients.

be provided to clients with the porting disclosure document to give clients a complete understanding of the benefits, risks and requirements for porting.

Pursuant to the new subsection 3261(1), Dealers are required to provide a porting disclosure document to the client and obtain acknowledgement from the client that they have received and understood such disclosure. The porting disclosure and corresponding client acknowledgement is required for all existing and new clients, retail and institutional clients, whose accounts are subject to a futures segregation and portability regime. The added client acknowledgment requirement under clause 3261(1)(ii) seeks to ensure client awareness of the disclosure.

Where the Dealer has not been able to obtain the client acknowledgement, they must provide evidence of any attempts to obtain such acknowledgement. Dealers are expected to take reasonable steps for obtaining the client acknowledgment, which should not stop at the initial attempt. This determination is done on the basis of the reasonableness standard. IIROC considers reasonable steps to include Dealers making several meaningful attempts to reach the client for obtaining their acknowledgment, including via various communication means. To clarify, the acknowledgment is a one-time requirement, meaning that once the Dealer has obtained the client acknowledgment (this excludes interpretations of implied acknowledgment), the Dealer does not have to seek such acknowledgment again unless the disclosure has been materially updated. Under the general requirements to maintain records, in section 3804, the Dealer must keep records evidencing that the porting disclosure document has been provided to clients and evidencing the attempts to obtain the client acknowledgement.

We acknowledge the challenges of obtaining acknowledgement from existing clients on a timely basis. For existing clients, we have set an implementation date of December 31, 2024 for subsection 3261(1)(ii), which would provide Dealers with a 2-year transition period to seek the required client acknowledgement.

Commodity Record	
<p>4. The commenter requests clarification on Section 3814, including:</p> <ul style="list-style-type: none"> <li>• whether collateral held in the client account at the Dealer or collateral pledged to CDCC should be included in the daily record,</li> <li>• records to be represented in the client identification record,</li> <li>• retaining the client identification record and sending the record to CDCC.</li> </ul>	<p>Subsection 3814(3) requires the Dealer to maintain a daily record showing all the positions owned by the client that are declared as GCM positions and the collateral received by the Dealer (from the client) to support the margin on those positions. For the purpose of subsection 3814(3), the “associated collateral for futures contracts” is not the collateral pledged by the Dealer to CDCC for these client accounts. The purpose of this record is to provide a report of the GCM positions and collateral so that the bankruptcy trustee (or any investor protection fund) can identify the collateral held by the Dealer for the GCM positions. This record would be utilized by the bankruptcy trustee (or the investor protection fund) to compare to the collateral ported by CDCC in order to determine potential client claims for any excess collateral deposited by the client at the Dealer.</p> <p>The purpose of the client identification record in subsection 3814(4) is to assist the clearing corporation (e.g. CDCC) with confirming the identity of clients who are requesting porting of their positions. Both the CDCC/SOLA account ID and the Dealer’s internal client account number should be included in this record to match the client’s CDCC account to the Dealer’s internal account. Each client identification record should contain the following:</p> <ul style="list-style-type: none"> <li>• the account identifier at the clearing corporation (e.g., CDCC SOLA Account ID)</li> <li>• the account number,</li> <li>• the client name,</li> <li>• the client address,</li> <li>• the client contact information (email, phone number), and</li> <li>• where the client is a non-individual, a primary and secondary (if applicable) contact name.</li> </ul> <p>The Dealer should refer to CDCC’s rules and system requirements for the purpose of identifying any other specific client identification information to be included in the client identification record.</p>

	<p>The Dealer must retain the client identification record in accordance with IIROC and CDCC Rules. Under CDCC's proposed amendments, Rule A -205(1)(f), every Clearing Member shall keep up to date records showing the client information corresponding with the Risk Account maintained by CDCC under the GCM Regime. The Dealer must provide the records to CDCC in the event of the Dealer's default or at CDCC's request. Under CDCC Rule A-205 (2), CDCC is entitled to take temporary possession of such records at any time upon demand. Under Section 3.1.1<sup>1</sup> of CDCC's default manual CDCC will take receipt of the client identification information for use in porting.</p>
--	--

---

<sup>1</sup> As proposed in CDCC Notice to Members 164-21