



Now New Self-Regulatory Organization of Canada, a consolidation of IIROC and the MFDA

New SRO Notice

Rules Notice

Notice of Approval/Implementation

Investment Dealer and Partially Consolidated Rules

Rule Connection:

[IDPC Rule](#)

23-0049

April 13, 2023

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Amendments to permit reduced margin for swap position partial offsets held in inventory

Executive Summary

The Canadian Securities Administrators (**CSA**) have approved amendments to the Investment Dealer and Partially Consolidated (**IDPC**) Rules (**Amendments**) that would permit margin reductions for Dealer Member (**Dealer**) inventory offsets of:

- non-equivalent notional amounts between two swap positions, and
- non-equivalent quantities between swap positions and underlying securities.

The purpose of the Amendments is to align the margin requirements for swap contract offsets with the net position risk by extending the current margin treatment for swap offsets to partial swap offsets.

The Amendments were originally published as proposed amendments to the IIROC Rules in Notice [22-0122](#). On January 1, 2023, the Board of Directors of the New SRO approved the adoption of the Amendments as proposed amendments to IDPC Rule 5600.

1. Background

1.1 Issue

The IDPC Rules allow margin reductions for Dealer inventory swap offset strategies where the notional amount of the offsetting swap is the same or in some cases, the Dealer holds an equivalent quantity of underlying securities. The current rules are silent on whether partial offsets between two positions with different notional amounts or quantities are permitted for reduced margin purposes.

1.2 History

We proposed amendments for partial swap offsets in 2009 (Notice 09-0049) and republished the proposal in 2012 (Notice 12-0057) to include housekeeping amendments to the minimum margin requirements for unhedged swap positions. In 2018 (Notice 18-0177) we withdrew the proposal due to the passage of time and developments in OTC derivatives regulation. In the meantime, three Dealers sought relief from the requirement in the rules that offsetting swap notional amounts are to be the same in order to net swap positions for margin purposes.

IIROC published for comment amendments to IIROC Rule 5600 in Notice 22-0122 to permit reduced margin for swap position partial offsets held in inventory. On January 1, 2023, the Board of Directors of the New SRO approved the adoption of the Amendments as proposed amendments to IDPC Rule 5600.

2. Comments received

We received one comment letter in response to Notice 22-0122. We have included a summary of the comments and our response in [Appendix C](#).

3. The Amendments

The Amendments align the margin requirements for swap offsets with the net position risk by extending the current margin treatment for same notional amount swap offsets to partial swap offsets. We amended sections 5680 to 5683 of the IDPC Rules to allow margin reductions where the Dealer has an inventory offset of:

- two interest rate swaps,
- two total performance swaps,
- the fixed or floating rate component of an interest rate swap and federal government debt securities, or
- a total performance swap and underlying securities.

with the same or different (i.e. partial offsets) notional amounts or quantities.

The text of the Amendments is set out in [Appendix A](#) and a blackline of the changes is set out in [Appendix B](#).

4. Implementation

The Amendments will be effective on May 15, 2023.

5. Appendices

[Appendix A](#) – Clean copy of the Amendments to IDPC Rules

[Appendix B](#) – Blackline copy of the Amendments to IDPC Rules

[Appendix C](#) – New SRO response to public comments