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|---|---|---|---|
| ☒ | **Trading – Interest Rate Derivatives** | ☒ | **Back-office - Options** |
| ☒ | **Trading – Equity and Index Derivatives** | ☒ | **Technology** |
| ☒ | **Back-office – Futures** | ☒ | **Regulation** |

**CIRCULAR 008-14**
January 20, 2014

# REQUEST FOR COMMENTS

**UPDATE OF THE RULES OF BOURSE DE MONTRÉAL INC. – RULES RELATING TO MARGIN AND CAPITAL REQUIREMENTS**

**ABROGATION OF POLICY C-3 – JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT**

**ABROGATION OF ARTICLES 7202 TO 7228 OF RULE SEVEN REGARDING MARGIN AND CAPITAL REQUIREMENTS FOR SECURITIES OTHER THAN DERIVATIVES, AND CONSEQUENTIAL AMENDMENTS TO ARTICLES 7005, 7151, 7152, 7157 AND 7201**

**ABROGATION OF VARIOUS PROVISIONS OF RULE NINE REGARDING MARGIN AND CAPITAL REQUIREMENTS FOR DERIVATIVES, AND CONSEQUENTIAL AMENDMENTS TO THE ARTICLES BEING RETAINED**

**AMENDMENTS TO ARTICLES 6005 AND 6654 OF RULE SIX REGARDING TRANSACTIONS IN OVER-THE-COUNTER OPTIONS AND REPORTS RELATING TO SUCH TRANSACTIONS**

The Rules and Policies Committee and the Special Committee – Regulatory Division of Bourse de Montréal Inc. (the Bourse) have approved amendments to Rule Six, Rule Seven and Rule Nine, as well as the abrogation of Policy C-3 of the Rules and Policies of the Bourse. The purpose of the proposed amendments and abrogation is to remove from its regulations all provisions which are no longer relevant as a result of the Bourse's withdrawal from the field of financial compliance regulation.

Comments on the proposed amendments to Rule Six, Rule Seven and Rule Nine, and on the abrogation of Policy C-3 of the Rules and Policies of the Bourse must be submitted within 30 days following the date of publication of the present notice, at the latest on February 17, 2014. Please submit your comments to:

*M[e] Pauline Ascoli*
*Vice-President, Legal Affairs (Derivatives)*
*Bourse de Montréal Inc.*
*Tour de la Bourse*
*P.O. Box 61, 800 Victoria Square*
*Montréal, Quebec H4Z 1A9*
*E-mail: legal@m-x.ca*

A copy of these comments shall also be forwarded to the Autorité to:

*M$^{e}$ Anne-Marie Beaudoin*
*Corporate Secretary*
*Autorité des marchés financiers*
*800 Victoria Square, 22$^{nd}$ Floor*
*P.O. Box 246, Tour de la Bourse*
*Montréal (Quebec) H4Z 1G3*
*E-mail: **consultation-en-cours@lautorite.qc.ca***

**Appendices**

For your information, you will find in appendices an analysis document of the proposed rule amendments and abrogation as well as the proposed regulatory text. The implementation date of the proposed amendments will be determined by the Bourse, in accordance with the self certification process as established in the Derivatives Act (2008, c.24).

**Process for Changes to the Rules**

Bourse de Montréal Inc. is authorized to carry on business as an exchange and is recognized as a self-regulatory organization (SRO) by the Autorité des marchés financiers (the Autorité). The Board of Directors of the Bourse has delegated to the Rules and Policies Committee of the Bourse its powers to approve and amend its Rules. The Rules of the Bourse are submitted to the Autorité in accordance to the self-certification process as established in the Derivatives Act (2008, c.24).

In its SRO capacity, the Bourse assumes market regulation and supervision responsibilities of its approved participants. The responsibility for regulating the market and the approved participants of the Bourse comes under the Regulatory Division of the Bourse (the Division). The Division carries on its activities as a distinct business unit separate from the other activities of the Bourse.

The Division is under the authority of a Special Committee appointed by the Board of Directors of the Bourse. The Special Committee is empowered to recommend to the Board of Directors the approval or amendment of some aspects of the Rules of the Bourse governing approved participants. The Board of Directors has delegated to the Rules and Policies Committee of the Bourse its powers to approve or amend these Rules upon recommendation from the Special Committee.

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**AMENDMENTS TO ARTICLES 6005 AND 6654 OF RULE SIX REGARDING TRANSACTIONS IN OVER-THE-COUNTER OPTIONS AND REPORTS RELATING TO SUCH TRANSACTIONS**

## I SUMMARY

The Bourse proposes to remove all its rules relating to margin and capital requirements from its regulations, with the exception of such rules as do not appear in the Investment Industry Regulatory Organization of Canada (IIROC) Rules.

The Bourse further proposes to abrogate Policy C-3 entitled "Joint Regulatory Financial Questionnaire and Report" in its entirety.

Finally, as regards those margin and capital rules which the Bourse deems it necessary to retain, the Bourse proposes to make such amendments thereto as are necessary to ensure that the interpretation and application thereof will not be affected by the abrogation of the rules to which they refer.

## II ANALYSIS

### A) Background

Until the end of 2004, there were two SROs in Canada that regulated margin and capital requirements that applied to Canadian approved participants. These were the Bourse, whose audit jurisdiction encompassed a little over twenty investment dealers, all of which were approved participants of the Bourse, and the Investment Dealers Association of Canada (IDA)[1], under whose jurisdiction were grouped approximately 175 Canadian investment dealers, some 60 of which were approved participants of the Bourse.

[1] After its merger with Market Regulation Services Inc. on June 1, 2008, the IDA changed its name to "Investment Industry Regulatory Organization of Canada – IIROC". This is the name that will be used throughout the rest of this analysis.

In the summer of 2004, the Bourse decided, as a regulatory matter, to focus first and foremost on the regulation and oversight of trading activity in its derivatives market and to withdraw from the field of member regulation, not only in terms of regulating business conduct but also financial compliance. This decision was primarily warranted by the fact that, due to its specialisation in the derivative financial instruments market, the regulatory functions discharged by the Bourse in the area of business conduct and financial compliance were no longer really connected to its speciality. Indeed, most of the dealers who remained under the Bourse's audit jurisdiction at the time had no trading activity on the derivative financial instruments market. Thus the Bourse found itself in a position where it was required to allot fairly substantial resources to the oversight and audit of the regulatory capital position of dealers who, for the most part, were not active in its market, and to police compliance with margin and capital requirements for client or firm accounts with no trading activity in the derivatives listed on the Bourse.

Thus the Bourse entered into talks with IIROC with the aim of transferring all its member regulation activities to such organization, including the oversight of financial compliance. As a result of these talks and the drafting of an agreement between the parties, the proposed transfer was submitted to the *Autorité des marchés financiers* (AMF) for approval in December 2004. Approval was granted at the end of the same year[2] and the transfer of all the relevant activities and duties took effect on January 1, 2005.

As part of the discussions which led to this transfer of duties, the Bourse at the time deemed it important to retain the rules on margin and capital requirements within the ambit of its regulations. The main reason for keeping such rules was that the Bourse wanted to avoid the development and implementation of margin rules that would undermine the development of its derivatives market. To minimize the risk of this occurring, the Bourse and IIROC agreed that IIROC would refrain from implementing any new margin rule unless the Bourse not only agreed but implemented the rule itself as well.

Consequently, after the transfer of jurisdiction on January 1, 2005, and until February 2009, the Bourse continued to implement regulatory amendments and new rules relating to margin and capital requirements that were identical to those adopted by IIROC.

**B) Decisions of the Bourse's Executive Committee and Special Committee - Regulatory Division**

In February 2009, the relevance of retaining margin and capital requirements as part of the Bourse's regulations was called into question for the following reasons:

- a substantial proportion, estimated at over 90%, of regulatory amendments implemented by IIROC between January 1, 2005 and the end of 2008 - and of current draft regulatory amendments – had and have no connection with derivatives and no impact on the margin requirements for such instruments;
- amendments to margin and capital rules had to be approved not only by the Bourse's Special Committee - Regulatory Division, but also by its Rules and Policies Committee. But since the Bourse had ceased to regulate financial compliance, the members of these two committees very often questioned the point of implementing

[2] See Decision No. 2004-PDG-0223, published in the January 7, 2005 weekly Bulletin (Vol. 2, No. 1) of the *Autorité des marchés financiers*.

regulatory amendments that had no connection with the Bourse's market and which it had no authority to enforce;

- as the Bourse was no longer active in the regulation of financial compliance, its margin and capital rules were not applicable to approved participants. Canadian approved participants were required to comply with IIROC Rules (which in all respects were identical to the rules of the Bourse). As for foreign approved participants, they are wholly exempt from such rules upon admission because they are already subject to the rules established by the local regulatory organizations in their country of origin.

The fact that it no longer implemented new margin and capital rules, or amendments thereto, had no material adverse effect on the Bourse as it continued to have considerable influence on any draft regulatory amendments initiated by IIROC.

Indeed, any draft margin or capital regulatory requirements initiated by IIROC must submit to two levels of approval before they can be presented to the IIROC Board of Directors for approval.

The first such level is the IIROC Capital Formula Subcommittee, which is comprised of several members from the industry and in which a representative of the Bourse's Regulatory Division regularly takes part. The second level is that of the IIROC Financial Administrators Section. The Regulatory Division is also regularly present at the meetings of such group, which is composed of representatives of all IIROC member firms, thus of all Canadian approved participants of the Bourse. The representatives of the firms that are members of the subcommittee and of those that take part in the meetings of the Financial Administrators Section are usually the chief financial officers of such firms and, as such, they have a keen interest in ensuring that margin and capital requirements are reasonable and realistic to avoid unduly tying up the capital of the firm.

As the Bourse could take part in the discussions of the Capital Formula Subcommittee and of the Financial Administrators Section referred to above, it remained capable of identifying those proposals which could adversely affect its market and thus propose the necessary amendments.

Furthermore, IIROC cannot implement any regulatory amendment whatsoever without first publishing them for a comment period of at least 30 days. The Bourse therefore has the possibility of commenting on the proposals, if it deems it necessary and, if applicable, of voicing its opposition.

It was also very clear that ceasing to update its rules on margin and capital requirements, and possibly eliminating existing rules, would not prevent the Bourse from establishing margin requirements for futures contracts listed on its exchange, as it had always done. Indeed, IIROC regulations clearly stipulate that the margins applicable to futures contracts are the margins established by the exchange on which such contracts are traded. The Bourse would continue periodically to publish the relevant margins.

Furthermore, even if margin and capital rules were no longer part of its regulations, nothing would preclude the Bourse from proposing new rules or amendments to existing rules to IIROC and from actively taking part in the development and implementation thereof.

We should also mention that IIROC Rules specifically recognize CDCC as a "recognized clearing corporation" and also specifically recognize the methodology used by CDCC to establish its margin intervals on which not only the Bourse's margins for futures contracts but also IIROC rules governing derivatives are based.

When the Toronto Stock Exchange transferred its regulatory activities regarding financial compliance to the IDA in 1995, it abrogated its margin and capital rules. The Vancouver Stock Exchange followed suit in 1999.

On the American side of the border, regulations for options exchanges contain no margin or capital rules as the participants in these markets are required to apply the requirements established by FINRA, the American equivalent of IIROC.

In American futures markets, margin requirements for futures contracts are established by the exchanges. All other margin and capital requirements applicable to dealers and their clients are established by FINRA or the NFA. ICE Canada (Winnipeg) uses precisely the same approach: margin requirements applicable to its futures contracts are established by the exchange; for the rest, IIROC requirements govern.

In the light of the foregoing clarifications, the Bourse's Executive Committee, at a meeting held on February 25, 2009, and the Bourse's Special Committee - Regulatory Division, at a meeting held on March 24, 2009, both approved the notion that there was no longer any need to continue implementing new margin and capital rules or amendments thereto while IIROC was concurrently implementing identical new rules or regulatory amendments. Both Committees also endorsed initiating the process of removing all Rules and Policies relating to margin and capital requirements from the Rules and Policies Manual of the Bourse.

The *Autorité des marchés financiers* was formally notified of these decisions on March 27, 2009 and the four files involving amendments to the margin and capital rules then pending were withdrawn. IIROC was also informed accordingly.

**C) Advantages of Removing Margin and Capital Rules**

Removing the Bourse rules regarding margin and capital requirements presents the following advantages:

- the Bourse's practices in matters of margin and capital requirements would be harmonized with those applied in other large markets;
- the Bourse's Rules and Policies Manual would be simplified. Currently, about a quarter of the Bourse's regulations pertains to margin and capital requirements, the enforcement of which is the sole purview of IIROC; and
- the Bourse maintains its ability to intervene when required in IIROC's regulatory amendment process, or even to initiate such a process, due to its participation in IIROC committees and subcommittees responsible for developing and approving new regulatory proposals, and to comment on, and/or object to, any draft amendment during the public consultation process.

**D) Impact of the Abrogations Proposed by the Bourse**

In all the years that the Bourse implemented new rules or amendments to existing rules, the Bourse and IIROC always worked in very close collaboration to ensure that their respective rules were identical in terms of margin and capital requirements. The Bourse and IIROC were both sponsor organizations of the Canadian Investor Protection Fund (CIPF) and, for this reason, the CIPF saw to it that the rules of both organizations were identical. As a result, there was no possibility of regulatory arbitrage whereby a dealer under the Bourse's audit jurisdiction could benefit from regulations that were less strict than the IIROC Rules, or vice-versa. This will therefore facilitate the abrogation process as all the rules which the Bourse is proposing to abrogate exist word for word in IIROC regulations. The Bourse's Canadian approved participants will therefore be completely unaffected by any abrogation.

Having ceased to regulate financial compliance, a substantial part of the Bourse's regulations has become superfluous since the cessation of such activity, as the enforcement of margin and capital rules and the monitoring of compliance therewith have become the exclusive jurisdiction of IIROC as regards the Bourse's Canadian approved participants.

The review work performed for the purposes hereof consisted not only in removing provisions that are no longer relevant from the regulations, but also identifying certain margin and capital rules that needed to be kept and amending the rules retained to ensure that they are as well-adapted as possible to the mission and operations of the Bourse and its approved participants.

**E) Maintaining Certain Margin and Capital Rules**

As part of the endeavour to abrogate its margin and capital rules, the Bourse identified certain rules that needed to be kept by reason of the fact that no equivalent rules exist in IIROC regulations. These rules pertain to margin and capital requirements for the following products:

- share futures contracts (articles 9122 to 9124 regarding margin requirements for positions held in client accounts, and 9222 to 9224 regarding capital requirements for positions held in approved participants' own accounts);
- sponsored options (article 9152 regarding positions held by clients, and article 9252 regarding positions held in approved participants' own accounts);
- bond options (articles 9301 to 9306 and 9324 regarding positions held by clients, and articles 9401 to 9406 and 9424 regarding positions held in approved participants' own accounts); and
- options on futures contracts (articles 9311 to 9313 and 9325 regarding positions held by clients, and articles 9411 to 9413 and 9425 regarding positions held in approved participants' own accounts).

Even if such instruments are not routinely listed for trading on the Bourse, except for the options on futures contracts, the Bourse deems it necessary to maintain these rules because the derivatives in question could eventually be relisted for trading. This applies in particular to share futures contracts which the Bourse intends to relist for trading in the relatively short term. The abrogate of margin and capital rules governing such derivatives would thus create a regulatory void.

The Bourse is therefore proposing to keep these rules, while making such amendments as are required to preserve the essence thereof. For example, where a regulatory provision that has been marked for retention refers, for its application, to the provisions of an article that is slated to be abrogated, the provision to be retained will be amended by incorporating the relevant provisions of the abrogated article.

Because the rules mentioned above are being maintained, it will also be necessary to maintain any articles containing definitions or other provisions applying to the articles pertaining to any of the derivatives in question while making the relevant amendments, where required.

The rest of this analysis deals not only with the provisions that are proposed to be abrogated, but also with the substantive amendments to be made to Rule Seven and Rule Nine of the Bourse as a result of the proposed abrogations. Changes as to form will not be discussed in detail unless the context requires.

**F) Abrogated Articles**

Appendix 1 attached hereto contains a complete list of the provisions of Rule Seven and Rule Nine which the Bourse is proposing to abrogate in their entirety with, for each of the articles concerned, the equivalent IIROC rule. It is important to note that, for each of the provisions of its Rules that the Bourse is proposing to abrogate, the IIROC regulatory texts are identical, which eliminates any risk of creating a regulatory void as regards the rules being abrogated. As previously mentioned, all such rules, when established, were set up in collaboration with IIROC and the CIPF, which explains why the wording is identical.

The same applies for the first item identified in Appendix 1, i.e. Policy C-3 of the Bourse entitled *Joint Regulatory Financial Questionnaire and Report*. This form is the report that must necessarily be used by Canadian approved participants to file their monthly financial reports as well as their year-end regulatory audited financial reports.

**G) Amended Articles - Rule Seven**

- <u>Article 7005 – Definitions</u>

  The reference to the Bourse's Policy C-3 form entitled "*Joint Regulatory Financial Questionnaire and Report*" was replaced by a reference to the IIROC form of the same name.

- <u>Article 7151 – Financial Questionnaires and Reports</u>

  The title of article 7151 was amended to specify that it applies only to the Bourse's Canadian approved participants. Furthermore, the reference to the Bourse's Policy C-3 form entitled "*Joint Regulatory Financial Questionnaire and Report*" was replaced by a reference to the IIROC form of the same name.

- <u>Article 7152 – Members of Other Recognized Exchanges or Regulatory or Self-Regulatory Organizations</u>

  The title and wording of article 7152 were amended to clarify that the provisions of this article apply to foreign approved participants of the Bourse. The reference to the Bourse's Policy C-3 form entitled "*Joint Regulatory Financial Questionnaire and Report*" was replaced by a reference to the IIROC form of the same name.

- <u>Article 7201 – Margin Requirements</u>

  Although all margin requirements set forth in articles 7202 to 7228 inclusively were abolished, the Bourse deemed it desirable to maintain the provisions of article 7201 to remind approved participants of their obligation to obtain from their clients the minimum margins prescribed by the market on which a security or derivative instrument is listed or prescribed by the regulatory or self-regulatory organization.

A provision was further added concerning the requirement to apply the prescribed minimum margins to positions held on own account (inventory accounts).

Maintaining article 7201 and the amendments proposed to be made thereto should make it clear that the removal of margin and capital rules for some securities or derivatives from the Bourse regulations must not be construed as implying that approved participants are exempt from the requirement to apply margin and capital rules established by an exchange or regulatory or self-regulatory organization having jurisdiction in this area.

**H) Amended Articles - Rule Nine**

- Article 9001 – Definitions

  In view of the fact that many provisions of Rule Nine are being abrogated, certain definitions set forth in article 9001 will no longer be relevant and the removal thereof is proposed so that only such definitions of terms as are referred to in the retained articles of Rule Nine will remain.

  Certain amendments are also proposed to be made to the remaining definitions to make them more easily understandable and applicable.

  Thus the term "firm account" is replaced by the term "firm account" and the definition of "market maker account" is amended to reflect the fact that an approved participant acting as a market maker need not be a member of the clearing corporation. [This paragraph applies to the French version only]

- Article 9121 – Exchange-Traded Futures Contracts – General

  Since the Bourse wishes to retain articles 9122 to 9124 pertaining to margin requirements for share futures contracts in case this form of futures contract is relisted for trading, the Bourse deems it advisable to maintain the general provisions of article 9121 as well.

  The only proposed amendments to be made to this article are the replacement of the term "margin receipt" by the term "escrow receipt" and the removal of a reference to articles of Rule Seven that are proposed to be abrogated to ensure uniformity with the definitions and other rules of the Bourse.

- Article 9123 – Share Futures Contracts and Security Combinations

  Article 9123 c) used to refer to article 7202A, which contained definitions and rules for calculating the margins for the securities (capital shares) referred to in article 9123 c). As article 7202A is to be abrogated, article 9123 c) must be amended so that it will contain the definitions and rules for calculating the margins for the securities referred to therein.

- Article 9152 – Margin Requirements for Positions in and Offsets Involving Sponsored Options

  Article 9152 was amended by removing any reference to articles proposed to be abrogated and by adding, in paragraph 9152 c), a clarification to the effect that the capital requirements for short positions in sponsored options held by a sponsor are the same as those for short exchange-traded options positions held by an approved participant. It is important to note that adding this provision in no way alters the capital requirements that apply in such a case since the reference to articles 9201 to 9300 contained in article 9152 referred until now to the capital requirements for exchange-traded options held by an approved participant on own account.

- Article 9223 – Share Futures Contracts and Security Combinations

  Article 9223 d) is amended in the same manner and for the same reasons as set out above in respect of article 9123 c).

- Articles 9301 to 9306 – Margin Rules for Bond Options

  Articles 9301 to 9306 of the Bourse Rules pertain specifically to bond options. As previously mentioned, IIROC Rules have no specific regulatory provisions for this form of option. As a result, the Bourse considers it necessary to maintain these rules. Although this form of option has not been listed for trading for several years, the possibility must not be ruled out that the Bourse may relist it in the future, in which case the fact that margin requirements are already in place would facilitate the re-introduction of this derivative instrument.

- Article 9321 – Exchange-Traded Futures Contracts – General

  Since the Bourse wishes to maintain articles 9324 (Bond Futures Contracts Combinations with Bond Options) and 9325 (Futures Contracts Combinations with Options on Futures Contracts), the Bourse deems it advisable also to maintain some of the general provisions of article 9321.

  As article 9121 referred to above contains provisions that are similar to those set forth in article 9321, the Bourse is of the opinion that there is no need to retain all the provisions of article 9321 and that it suffices to retain only those it considers to be the most important.

- Article 9421 – Exchange-Traded Futures Contracts – General

  Since the Bourse wishes to maintain article 9424 (Bond Futures Contracts Combinations with Bond Options) and article 9425 (Futures Contracts Combinations with Options on Futures Contracts), the Bourse deems it advisable also to maintain some of the general provisions of article 9421 as proposed above for article 9321.

  Article 9421 is similar to article 9321 in many respects, the difference being that article 9321 applies to client accounts whereas article 9421 applies to approved participants’ own accounts.

  As previously mentioned in respect of preceding article 9321, because article 9121 contains provisions that are similar to the provisions set forth in article 9321, the Bourse is of the opinion that there is no need to retain all the provisions of article 9321 and that it suffices to retain only those it considers to be the most important.

**I) Amended Articles - Rule Six – Article 6005 regarding Off-Exchange Transactions and Article 6654 regarding Reports Related to Options Positions**

The margin and capital rules which the Bourse is proposing to abrogate include articles 9501 and 9511. These two articles pertain specifically to margin requirements for client accounts involving OTC options (article 9501) and capital requirements for approved participants trading in the same OTC options (article 9511). These two articles each contain identical provisions concerning the terms of OTC put and call options (article 9501 e) and article 9511 b)) and semi-monthly reports to be filed with the Bourse in respect of transactions in OTC options (article 9501 g) and article 9511 d)).

The provisions of these two articles regarding the terms of put and call options prohibit transactions in OTC options, except where such options do not relate to underlying securities for which the CDCC has issued options (i.e. options listed for trading on the Bourse) or, if such OTC options do relate to underlying securities for which CDCC has issued options, where the terms are materially different from those issued by CDCC. Examples of terms that could be deemed to be materially different are, inter alia, the exercise style (European vs. American), the exercise price, the maturity date or any combination of these. The main purpose of this prohibition is to ensure that no OTC market develops in options listed for trading on the Bourse.

Furthermore, to ensure compliance with this prohibition by approved participants and their clients, the Bourse requires approved participants who engage in transactions in OTC options on their own behalf or on behalf of their clients to file with the Bourse, twice a month, a report detailing the transactions in OTC options effected throughout the period covered by the report. This report provides all the relevant information about the classes of OTC options involved in transactions (underlying securities, quantity, price) as well as the terms of such options.

As these regulatory provisions more closely relate to trading than to margin and capital requirements, the Bourse considers it more logical to remove these provisions from Rule Nine, which essentially deals with margin and capital requirements for derivatives, and to transfer them to Rule Six, which essentially pertains to trading in derivatives.

As regards the provisions relating to the terms of an OTC trade in put and call options, the Bourse is proposing to add a new paragraph g) to article 6005 of Rule Six. Article 6005, entitled "*Off-Exchange Transactions*", allows various OTC transactions in derivatives listed on the Bourse to be effected, subject to certain conditions being fulfilled.

Paragraph g), which the Bourse is proposing to add to article 6005 of Rule Six, would allow transactions to be carried out on OTC options on the same terms as would be allowed under articles 9501 and 9511.

As regards the obligation to file semi-monthly reports on transactions carried out in OTC options, the Bourse is proposing to modify article 6654 of Rule Six regarding reports on options positions.

The title of article 6654 would thus be amended to refer not only to reports on positions in options, which approved participants must file, but also to reports on transactions in OTC options.

Furthermore, a new paragraph would be added to article 6654 that would essentially repeat the wording of articles 9501 and 9511 concerning reports on transactions in OTC options.

In addition to reproducing the same wording, the Bourse is proposing to take the opportunity provided by this transfer to article 6654 to specify the time in which the reports on transactions in OTC options must be filed with the Bourse. In their current form, articles 9501 and 9511 do not specify a time for filing the reports required. The Bourse considers that, given the relatively limited number of transactions of this type that are carried out by approved participants, a period of two (2) business days from the date on which such reports are due should be sufficient and reasonable.

**J) Public Interest**

The abrogation of provisions from the Bourse's Rule Seven and Rule Nine, the amendments proposed to certain other provisions of these same Rules as well as to Rule Six, and the abrogation of Policy C-3 referred to in this analysis all aim to achieve the same objectives, namely:

- to reflect the fact that the Bourse no longer regulates its members in the area of financial compliance;
- notwithstanding the foregoing, to allow the Bourse to retain in its margin and capital rules those regulatory provisions for which there is no known equivalent in the Investment Industry Regulatory Organization of Canada (IIROC) Rules to avoid the creation of a regulatory void for derivatives that are routinely traded - or could be in the short or medium term - on the Bourse;
- to allow the Bourse to continue to exercise its prerogatives in terms of establishing margin rates for futures contracts traded on its market;
- to eliminate from the Bourse regulations all provisions which are no longer relevant as a result of the Bourse's withdrawal from the field of financial compliance regulation; and
- to clarify and adapt the remaining regulatory provisions.

The various abrogations and amendments proposed to be made to the Bourse's Rules Six, Seven and Nine and Policy C-3 will not in any way adversely affect the interests of the investing public at large nor those of the approved participants of the Bourse or affect the Bourse itself while permitting the regulations of the Bourse to be better adapted to the realities and requirements of the market operated by the Bourse.

As the proposed abrogations and amendments will significantly alter the regulations of the Bourse in terms of the margin and capital requirements that apply to its Canadian approved participants, the Bourse considers such proposed abrogations and amendments to be in the public interest.

**K) Impact of the Proposed Amendments on the Systems**

The proposed regulatory abrogations and amendments will have no impact on the structure of the financial market, on competition or on the cost of compliance. Furthermore, they will lighten and clarify the regulations of the Bourse by subtracting a significant number of provisions which are no longer relevant and by amending the Rules being retained so as to make them easier to interpret and apply.

**L) Interest of the Financial Markets**

The Bourse is of the opinion that the proposed abrogations and amendments will not adversely affect the interests of the financial markets and that no unnecessary or undue burden will be placed on competition.

## III COMMENTS

### A) Efficiency

As previously mentioned, the purpose of the proposed abrogations and amendments to the Bourse's Rules Six, Seven and Nine and Policy C-3, referred to in this analysis, is to update the Bourse's regulations to ensure that they no longer contain provisions that have become irrelevant as a result of the Bourse's having ceased to regulate its members in matters of financial compliance, and to ensure that the regulatory provisions being retained clearly and adequately reflect the Bourse's requirements as regards the trading activities carried out in its market by approved participants.

The approval of these amendments will result in clearer regulations and will eliminate any confusion as to the interpretation and application thereof.

### B) Process

The first step in carrying out the regulatory abrogations and amendments proposed in this analysis consists in having them approved by the Special Committee - Regulatory Division of the Bourse.

Once approved by such Committee, the proposed abrogations and amendments, including this document, will be submitted to the Bourse's Rules and Policies Committee and will then be published by the Bourse for a minimum comment period of 30 days and submitted to the *Autorité des marchés financiers* for self-certification thereof. A copy of the documents will also be delivered to the Ontario Securities Commission for information purposes.

## IV REFERENCES

- Rule Six of Bourse de Montréal Inc. - Trading
- Rule Seven of Bourse de Montréal Inc. – Operations of Approved Participants
- Rule Nine of Bourse de Montréal Inc. – Margin and Capital Requirements for Options, Futures Contracts and other Derivative Instruments
- Policy C-3 – Joint Regulatory Financial Questionnaire and Report
- Rule 100 of the Investment Industry Regulatory Organization of Canada – Margin Requirements
- Form 1 of the Investment Industry Regulatory Organization of Canada – Joint Regulatory Financial Questionnaire and Report
- Decision No. 2004-PDG-0223 of the *Autorité des marchés financiers* rendered on 30 December 2004 – Authorization granted to Bourse de Montréal Inc. to relinquish duties and powers delegated by the *Autorité des marchés financiers* – Weekly Bulletin of the *Autorité des marchés financiers* dated 7 January 2005 (Vol. 2, No. 1)

**APPENDIX 1**

**REMOVAL OF MARGIN AND CAPITAL RULES FROM THE RULES AND POLICIES MANUAL OF BOURSE DE MONTRÉAL INC. TABLE OF CONCORDANCE WITH THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC) RULEBOOK**

| **Policy or Rule Abrogated by the Bourse** | **Corresponding IIROC Rule** | **Comments** |
|---|---|---|
| **Policy C-3 – Joint Regulatory Financial Questionnaire and Report** | Form 1 – Joint Regulatory Financial Questionnaire and Report | |
| | | |
| **Rule 7 – Section 7201 – 7250 – Margins** | | |
| | | |
| Article 7202 – Listed Securities | | |
| 1) Securities listed on a recognized exchange in Canada or in the United States | 100.2(f)(i) | |
| 2) Securities listed on some other exchanges and that are components of an index | 100.2(f)(ii) | |
| 3) Index Products | | |
| A) Long qualifying basket of index securities or long index participation units | 100.2( f)(vii)(A)(I) – Index participation units ***[mistake in French]***<br>100.2(f)(vii)(B)(I) – Qualifying basket of index securities | |
| B) Short qualifying basket of index securities or short index participation units***[mistake in French]*** | 100.2(f)(vii)(A)(II) - Index participation units<br>100.2(f)(vii)(B)(II) - Qualifying basket of index securities | |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| C) Long qualifying basket of index securities offset with short index participation units | 100.9(h)(iii)(A) for positions held by clients<br>100.10(h)(iii)(A) for positions held by approved participants (inventory) | |
| D) Short qualifying basket of index securities offset with long index participation units | 100.9(h)(iii)(B) for positions held by clients<br>100.10(h)(iii)(B) for positions held by approved participants (inventory) | |
| E) Long qualifying basket of index securities – short index participation units – commitment to purchase index participation units | 100.10(h)(iii)(C) | |
| 4) Securities eligible to a reduced margin rate | 100.2(f)(vi) and 100.12(a)(i) to 100.12(a)(v) | |
| 5) Warrants issued by a Canadian chartered bank | 100.2(f)(iii) ***[mistake in French]*** | |
| Article 7202A – Margin Offsets on Capital Shares | 100.4G | All the definitions contained in article 7202A (except for the definition of "combined conversion loss") have been removed to articles 9123 c) and 9223 d), both of which deal with margin and capital requirements for combinations of short share futures contracts – long capital shares. Because of the abrogation of article |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| | | 7202A, these definitions had to be transferred because until now both articles referred to the definitions set out in article 7202A. |
| Article 7202B – Instalment Receipts | 100.18 | |
| Article 7203 – Unlisted Securities Eligible to Margin | 100.2(f)(iv) and (v)<br>100.2 (l) – Mutual funds | |
| Article 7204 – Bonds, Debentures, Treasury Bills and Notes | 100.2 (a)(i) to (vi); 100.2(a)(viii) to (xi) ***[fix French]***<br>100.12(d) –Variable-rate bonds<br>100.4E – Offsets involving bonds or debentures with strip coupons or residuals<br>100.2 (h) – Guaranteed mortgage-backed securities<br>100.4D – Offsets involving guaranteed mortgage-backed securities with bonds or debentures | |
| Article 7204A – Pairing for Margin Purposes | 100.4A – Government bonds with a maturity of more than one year<br>100.4B – Government bonds with a maturity of less than one year<br>100.4C – Bonds of various issuers | |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| Article 7204B – Supplemental Margin | 100.3 | |
| Article 7205 – Bank Paper | 100.2(b) | |
| Article 7206 – Foreign Bank and Company Acceptable Paper | 100.2(c) – Acceptable foreign bank paper<br>100.2(a)(vii) – Acceptable foreign company notes | |
| Article 7207 - Margin Requirements for Repurchase, Resale and Cash and Securities Loan Transactions | 100.17 | |
| Article 7208 – Margin on Gold, Silver and Platinum | 100.2(i) | |
| Article 7209- Mortgage - National Housing Act (N.H.A.) | 100.2(e) | |
| Article 7210 – Margin Requirements on Unhedged Foreign Exchange Positions | 100.2(d) | |
| Article 7211 – Approved Participant Accounts | 100.12 regarding reduced margin requirements allowed for certain securities and Form 1 – *Joint Regulatory Financial Questionnaire and Report* regarding tax consequences of unrealized gains. | |
| Article 7212 – Margin Calculations | Form 1 – *Joint Regulatory Financial Questionnaire and Report* | |
| Article 7213 – Exceptions to Margin Rules | 100.13 – Securities subject to redemption | |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| | call or offer<br>100.6 – Underwriting rights or warrants<br>100.12(a) – Securities eligible for reduced margin when held in inventory by an approved participant<br>100.7 – Control blocks<br>100.12(b) – Government-guaranteed securities<br>100.12(c) – Floating-rate preferred shares<br>100.2(f)(iii) – Warrants issued by banks on government-issued securities<br>100.21 – Maximum margin required for convertible securities | |
| Article 7214 – Discretionary Margin | No equivalent rule found | Article 7214 of the Bourse Rules allowed the Bourse to establish margin requirements that were different from those set forth in the Rules, where circumstances warranted.<br><br>Although no provision identical to article 7214 was found in IIROC Rules, IIROC Rule 17.11 is somewhat similar in that it provides for the IIROC Board of Directors to prescribe certain requirements from time |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| | | to time. |
| Article 7215 – Maturity Date for Bonds with Embedded Options | 100.2A | |
| Article 7224 – Margin Requirements for Underwriting Commitments | 100.5 | |
| Article 7226 – Margin on Swaps | 100.2 (j) – Interest Rate Swaps<br>100.2 (k) – Total Performance Swaps | |
| Article 7226A – Swap Positions Offsets | 100.4F | |
| Article 7227 – Margin Offsets on Convertible Securities | 100.4H | |
| Article 7228 - Margin Offsets on Exercisable Securities | 100.4I | |
| | | |
| | | |
| | | |
| **Rule 9 – Margin and Capital Requirements for Options, Futures Contracts and Other Derivative Instruments** | | |
| | | |
| **Margin requirements for client accounts** | | |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| **– equity-related derivatives, index derivatives or index participation unit derivatives (exchange-traded fund)** | | |
| | | |
| Article 9101 – Exchange Traded Options – General Provisions | 100.9(b) | |
| Article 9102 – Long Option Positions | 100.9(c) | |
| Article 9103 – Short Option Positions | 100.9(d) | |
| Article 9104 – Covered Option Positions | 100.9(e) | |
| Article 9105 – Options Spreads and Combinations | 100.9(f)(i) to 100.9(f)(v) | |
| Article 9106 – Option and Security Combinations | 100.9(g) | |
| Article 9107 – Option Spreads Involving Complex Strategies | 100.9(f)(vi) to 100.9(xi) | |
| Article 9108 – Index Option and Index Participation Unit Option Spread Combinations | 100.9(h)(i) | |
| Article 9109 – Index Option Combinations with Qualifying Baskets of Index Securities and Index Participation Units | 100.9(h)(ii) | |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| Article 9125 – Index Futures Contract Combinations with Qualifying Baskets of Index Securities and Index Participation Units | 100.9(h)(iv) | |
| Article 9126 – Index Futures Contract Combinations with Index Options | 100.9(h)(v) | |
| Article 9151 – Margin Requirements for Positions in and Offsets Involving OCC Options | 100.9(j) | |
| | | |
| **Capital requirements for approved participant firm accounts (inventory accounts) – equity-related derivatives, index derivatives or index participation unit derivatives (exchange-traded fund)** | | |
| | | |
| Article 9201 – Exchange Traded Options – General | 100.10(b) | |
| Article 9202 – Long Option Positions | 100.10(c) | |
| Article 9203 – Short Option Positions | 100.10(d) | |
| Article 9204 – Covered Option Positions | 100.10(e) | |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| Article 9205 – Option Spreads and Combinations | 100.10(f)(i) to 100.10(f)(v) | |
| Article 9206 – Options and Security Combinations | 100.10(g) | |
| Article 9207 – Option Spreads Involving Complex Strategies | 100.10(f)(vi) to (xi) | |
| Article 9208 - Index Options and Index Participation Unit Option Spread Combinations | 100.10(h)(i) | |
| Article 9209 – Index Option Combinations with Qualifying Baskets of Index Securities and Index Participation Units | 100.10(h)(ii)(A) to (F) | |
| Article 9210 – Index Option Combinations with Qualifying Baskets of Index Securities and Commitment to Purchase Index Participation Units | 100.10(h)(ii)(G) | |
| Article 9225 – Index Futures Contract Combinations with Qualifying Baskets of Index Securities and Index Participation Units | 100.10(h)(iv) | |
| Article 9226 – Index Futures Contract Combinations with Index Options | 100.10(h)(v) | |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| Article 9251 - Capital Requirements for Positions In and Offsets Involving OCC Options | 100.10(j) | |
| | | |
| **Margin requirements for client accounts – interest-rate derivatives** | | |
| | | |
| Article 9323 – Futures Contracts and Security Combinations | 100.4K | Article 9323 of the Bourse Rules and IIROC Rule 100.4K deal only with Government of Canada Bond futures contracts ***[dans le français, le mot* uniquement *est superflu]***. |
| Article 9326 – Pairing of Government of Canada Bond Futures Contracts with U. S. Treasury Bond Futures Contracts | 100.8(e) | |
| | | |
| **Capital requirements for approved participant firm accounts (inventory accounts) – interest-rate derivatives** | | |
| | | |
| Article 9423 – Futures Contracts and Security Combinations | 100.4K | Article 9423 of the Bourse Rules and IIROC Rule 100.4K deal only with |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| | | Government of Canada Bond futures contracts ***[dans le français, "uniquement"** superflu]* |
| Article 9426 – Pairing of Government of Canada Bond Futures Contracts with U. S. Treasury Bond Futures Contracts | 100.8(e) | |
| | | |
| **OTC options – Margin requirements for clients** | | |
| | | |
| 9501 – Margin requirements – General provisions | 100.11 | IIROC Rule 100.11 contains no provisions relating to the terms of OTC put and call options (article 9501 e)) and to the requirement to file semi-monthly returns of transactions in OTC options (article 9501 g)). The provisions of both paragraphs are specific to the Bourse and must be maintained. Because they relate to trading more than to margin and capital requirements, they are extracted from article 9501 and transferred to Rule 6 of the Bourse (articles 6005 and 6654). |
| Article 9502 – Margin requirements - Simple Long Positions | 100.11(a) | |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| Article 9503 – Margin Requirements - Simple Short Positions | 100.11(c) | |
| Article 9504 – Margin Requirements - Paired Option Positions | 100.11(i) | |
| Article 9505 – Acceptable Forms of Margin | 100.11(g) | |
| | | |
| **OTC options – Capital requirements for approved participants** | | |
| | | |
| Article 9511 – Capital Requirements - General Provisions | 100.11 | IIROC Rule 100.11 contains no provisions relating to the terms of OTC put and call options (article 9511 b)) and to the requirement to file semi-monthly returns of transactions in OTC options (article 9511 d)). The provisions of both paragraphs (which are identical to the provisions of article 9501 e) and g) referred to above) are specific to the Bourse and must be maintained. Because they relate to trading more than to margin and capital requirements, they will be extracted from article 9511 and transferred to Rule 6 of the Bourse (articles 6005 and |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| | | 6654). |
| Article 9512 – Capital Requirements - Simple Long Positions | 100.11(b) | |
| Article 9513 – Capital Requirements - Simple Short Positions | 100.11(c) | |
| Article 9514 – Capital Requirements - Paired Option Positions | 100.11(i) | |
| Article 9515 – Capital Reduction Allowed for Positions Held by Approved Participants | 100.11(j) | |
| | | |
| **Margin Requirements for Client Accounts – Currency-Related Derivatives** | | |
| | | |
| Article 9601 – Exchange Traded Currency Options – General Provisions | 100.9(b) | |
| Article 9602 – Long Currency Option Positions | 100.9(c) | |
| Article 9603 – Short Currency Option Positions | 100.9(d) | |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| Article 9604 – Covered Currency Option Positions | 100.9(e) | |
| Article 9605 – Currency Option Spreads and Combinations | 100.9(f)(i) to 100.9(f)(iv) | |
| Article 9606 – Currency Options and Assets Denominated in the Same Currency Combinations | 100.9(g) | |
| | | |
| **Capital requirements for approved participants (inventory accounts) – Currency-Related Derivatives** | | |
| | | |
| Article 9651 – Exchange Traded Currency Options – General | 100.10(b) | |
| Article 9652 – Long Currency Option Positions | 100.10(c) | |
| Article 9653 – Short Currency Option Positions | 100.10(d) | |
| Article 9654 – Covered Currency Option Positions | 100.10(e) | |
| Article 9655 – Currency Option Spreads | 100.10(f)(i) to 100.10(f)(iv) | |

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| Policy or Rule Abrogated by the Bourse | Corresponding IIROC Rule | Comments |
|---|---|---|
| and Combinations | | |
| Article 9656 – Currency Options and Assets Denominated in the Same Currency Combinations | 100.10(g) | |

**6005 Off-Exchange Transactions**
(10.10.91, 19.11.93, 14.07.95, 22.11.99, 21.04.08, 30.05.08, 29.01.10, 00.00.00)

The only transactions in any securities or derivative instruments listed on the Bourse which an approved participant may make off the Bourse are the following:

a) a transaction made to adjust an execution error on a client's order;

b) a transaction made as a result of the exercise of an option or of a delivery pursuant to a futures contract;

c) an Exchange for Physicals (EFP) transaction or an Exchange for Risk (EFR) transaction pursuant to article 6815 or a Substitution of over-the-counter derivative instruments for futures contracts pursuant to article 6815A;

d) an off-exchange transfer of securities or derivative instruments pursuant to article 6816;

e) a block trade in a security or derivative instrument designated by the Bourse and executed according to the provisions of article 6380;

f) a riskless basis cross transaction in a security or derivative instrument designated by the Bourse and executed according to provisions of article 6380.

g) an over-the-counter trade in any put or call option, provided that such option:

   i) does not relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation; or

   ii) does relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation, but whose terms are materially different from those of any series of options issued by the Canadian Derivatives Clearing Corporation.

   For the purposes of this paragraph g), writing over-the-counter options means the distribution of securities for which a prospectus may be required or for which specific or blanket exemptions may be necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so must, accordingly, ensure that such distribution complies with applicable securities legislation.

**6654 Reports Related to Positions in Options Traded on the Bourse~~Positions~~ and reports related to transactions in over-the-counter options**
(05.08.75, 15.11.79, 24.04.84, 20.03.91, 10.11.92, 07.04.94, 07.09.99, 11.02.00, 28.01.02, 26.09.05, 25.06.12, 01.04.13, 00.00.00)

Each approved participant shall file with the Bourse, in the prescribed manner and frequency, a report related to positions in options traded on the Bourse prepared in compliance with article 14102.

For all transactions executed in over-the-counter options, approved participants are required to report as of the close of business on the fifteenth and last days of each month or, when either of these days is not a trading day, on the preceding trading day, the total puts and calls written and issued or guaranteed during the period which has ended. This report must be transmitted to the Bourse within two (2) business days following the above-mentioned dates and this in the forme prescribed by the Bourse.

# RULE SEVEN
# OPERATIONS OF APPROVED PARTICIPANTS

## Section 7001 - 7075
## Financial Conditions - General

**7001 Compliance with Legal Requirements**
(01.04.93, 13.09.05, 22.03.10)

Every approved participant must comply with the requirements of any legislation applicable to the regulation of brokerage and accounts, examination and information and must provide or make available to the Bourse all information which the Bourse may request for the purpose of any examination or investigation of the business or operations of such approved participant. Failure to comply with any of the provisions of applicable laws or with any requirements of the Bourse pursuant thereto shall be deemed an act detrimental to the interest and welfare of the Bourse.

**7002 Form of Reports**
(01.04.93, 13.09.05, 22.03.10)

The Special Committee may set the scope, the preparation method and the form of any report that must be submitted to the Bourse by approved participants pursuant to the Rules of the Bourse, to the provisions of a securities legislation or pursuant to a decision, an order or a specific request of the Bourse or of one of its committees, including the Special Committee and the specifications of any system permitting to ensure the implementation and maintenance of books or records to be used by approved participants in connection with the carrying on of their business.

**7003 Disclosure to Customers of Approved Participants' Financial Condition**
(30.10.89, 01.02.93, 01.04.93, 13.09.05, abr. 22.03.10)

**7004 Publication of a Consolidated Statement of Financial Condition**
(01.02.93, 01.04.93, 13.09.05, abr. 22.03.10)

**7005 Definitions**
(01.04.93, 13.09.05, 22.03.10, 00.00.00)

For the purposes of this Rule Seven, unless otherwise specified, terms used are defined either in article 1102 of the Rules of the Bourse or in the Investment Industry Regulatory Organization of Canada "Joint Regulatory Financial Questionnaire and Report" form (Form 1)~~of Policy C-3~~.

**7006 Capital Requirements**
(01.04.93, 13.09.05, abr. 22.03.10)

**7007 Restricted Trading Permit Holders**
(01.05.89, 01.04.93, 13.09.05, 00.00.00)

Restricted trading permit holders who are not dealing with the public, except in the capacity of trading representative for an approved participant, are not required to maintain any minimum net worth. However, they must make an annual declaration to the Bourse that their status in this respect has not changed during the past year.

Restricted trading permit holders who clear their transactions through a clearing approved participant must maintain a net worth equal to $25,000.

If, in addition, these restricted trading permit holders act as market-makers or as traders in futures contracts, they must, in addition to the net worth required in the preceding paragraph, maintain an additional net worth

1) as market makers:

   of $10,000 per assignation up to a maximum of $25,000;

2) as futures contracts traders:

   $25,000.

For the purpose of this article, "net worth" means the excess of cash and marketable securities, marked to market, over the aggregate liabilities.

This requirement is deemed satisfied if a letter of guarantee, in a form prescribed by the Bourse and containing a provision regarding the maintenance of "net worth", has been issued and is still in effect on behalf of such restricted trading permit holder by the clearing approved participant and in accordance with article 6082. The clearing approved participant must provide against its own capital any deficiency of "net worth" in the account of the restricted trading permit holder ~~approved participant~~ for whom it has issued a letter of guarantee.

**7008 Joint Account**
(01.04.93, 13.09.05)

1) A restricted trading permit holder who is a market-maker and does not deal with the public may have a joint account agreement with one other person who may not be an approved participant of the Bourse. Each joint account agreement must comply with the requirements of the Bourse, including disclosure for all other securities accounts in which the partner who is not an approved participant has a direct or an indirect interest and be approved by the Bourse. Such approval may be withdrawn at the discretion of the Bourse.

2) Each market-maker who makes an arrangement to finance his transactions in securities on which he has been appointed must inform the Bourse of the name of the creditor and the terms of such arrangement. The Bourse must be informed immediately of the intention of any party to terminate or change any such arrangement, or to issue a margin call.

3) On request, a market-maker must submit to the Bourse a monthly report of his use of credit pursuant to the present rule.

**7009 Subordinated Loans**
(01.04.93, 13.09.05, abr. 22.03.10)

**7010 Early Warning System**
(01.09.89, 01.07.91, 01.10.92, 01.04.93, 11.03.98, 08.05.03, 29.07.03, 13.09.05, abr. 22.03.10)

**7011 Establishing and maintaining adequate internal controls**
(00.00.96, 13.09.05, 22.03.10)

Every approved participant must establish and maintain adequate internal controls to assist in achieving the objective of ensuring, as far as practical, the orderly and efficient conduct of the approved participant's business.

## Section 7076 - 7150
## Insurance (abr. 22.03.10)

**7076 Insurance**
(28.02.87, 09.10.87, 30.12.88, 06.08.90, 20.12.91, 01.05.92, 03.03.93, 01.04.93, 01.12.94, 08.11.95, 20.12.96, 01.07.97, 01.04.03, 01.01.05, abr. 22.03.10)

**7077 Reporting of Insurance Claims**
(01.04.93, 13.09.05, abr. 22.03.10)

## Section 7151 - 7159
## Financial Reports

**7151 Canadian Approved Participants - Financial Questionnaires and Reports**
(01.04.93, 13.09.05, 22.03.10, 00.00.00)

Canadian ~~A~~approved participants must file with the Bourse, when requested by it, a copy of the most recent audited regulatory financial questionnaire and report completed in the form prescribed by the Investment Industry Regulatory Organization of Canada.~~Policy C-3 of the Bourse.~~

**7152 Foreign Approved Participants ~~Members of Other Recognized Exchanges or Regulatory or Self-Regulatory Organizations~~ – Financial Questionnaires and Reports**
(01.04.93, 13.09.05, 22.03.10, 00.00.00)

Where a~~n~~ foreign approved participant of the Bourse is also a regulated entity, as defined in the Investment Industry Regulatory Organization of Canada ''Joint Regulatory Financial Questionnaire and Report''~~Policy C-3 of the Bourse~~, and prepares reports and financial statements as required by another recognized exchange or regulatory or self-regulatory organization, the Bourse ~~may~~ will accept, in lieu of the questionnaire and report to which article 7151 refers, a copy of the most recent audited reports and financial statements filed by the foreign approved participant with this other exchange or regulatory or self-regulatory organization along with a written confirmation from such other exchange or regulatory or self-regulatory organization that the foreign approved participant satisfies all of its requirements relating to the regulatory capital required to be maintained.

**7153 Trading activity statement - Restricted Trading Permit Holders**
(04.05.98, 13.09.05, 22.03.10)

Upon request from the Bourse, the clearing approved participant has the obligation to provide a trading activity statement from the previous day or for a specified period of time, for each restricted trading permit holder for whom the approved participant clears and guarantees the transactions made on the Bourse. This statement must contain the following information:

a) daily activity result;

b) year to date activity result;

c) margin required on positions held;

d) guarantee deposits;

e) cash movements (deposits, withdrawals, interest or dividend adjustments to the account); and

f) the global balance of account.

**7154 Interim Questionnaires**
(01.04.93, 13.09.05, abr. 22.03.10)

**7155 Monthly Financial Report**
(01.04.93, 11.03.98, 13.09.05, abr. 22.03.10)

**7156 Working Papers**
(01.04.93, 13.09.05, abr. 22.03.10)

**7157 Statistical Information**
(01.04.93, 29.07.02, 01.10.02, 22.03.10, 00.00.00)

Every approved participant must provide to the Bourse, upon request, such statistical information with respect to its business as, in the opinion of the Bourse, may be necessary or in the interest of the Bourse or of all approved participants of the Bourse.

## Section 7160 - 7170
## Audit Requirements
## (abr. 22.03.10)

**7160 Audits**
(01.04.93, 13.09.05, abr. 22.03.10)

**7161 Appointment of Approved Participants' Auditors**
(01.04.93, 13.09.05, abr. 22.03.10)

**7162 Resignation of Approved Participants' Auditors**
(01.04.93, 13.09.05, abr. 22.03.10)

**7163 Auditor's Reports**
(01.04.93, 13.09.05, abr. 22.03.10)

**7164 Audit Deadline**
(23.06.89, 01.04.93, 15.07.97, 13.09.05, abr. 22.03.10)

**7165 Audit Guidelines**
(30.09.89, 01.04.93, 15.07.97, 13.09.05, abr. 22.03.10)

## Section 7201 - 7250
## Margins

**7201 Margin Requirements**
(01.02.91, 01.04.93, 13.09.05, 28.09.07, 00.00.00)

Every approved participant must obtain from clients the~~such~~ minimum margins prescribed by the market on which a security or derivative instrument is traded or, in the absence of such margins being prescribed by the market, by the regulatory or self-regulatory organization having jurisdiction over the approved participant for what regards regulatory capital.~~in such amount and in accordance with the requirements, as set out in the present section.~~

Every approved participant must also apply to securities or derivative instruments held for its own account the minimum margins prescribed by the market on which such securities or derivative instruments are traded or, in the absence of such margins being prescribed by the market, by the regulatory or self-regulatory organization having jurisdiction over the approved participant for what regards regulatory capital.~~All margin requirements set out in the present section are applicable to approved participants as well as to clients, unless specified otherwise.~~

**7202 Listed Securities**
(15.12.86, 30.09.87, 18.06.88, 01.04.93, 11.02.00, 29.04.02, 16.09.02, 01.05.03, 17.05.04, 01.01.05, 13.09.05, 28.09.07, abr. 00.00.00)

~~For the purpose of this article, the terms “floating margin rate”, “incremental basket margin rate”, “index”, “margin interval”, “qualifying basket of index securities” and “tracking error margin rate” are defined in article 9001.~~

~~**1) Securities listed on a recognized exchange in Canada or in the United States**~~

~~For positions in securities (other than bonds and debentures but including rights and warrants other than Canadian bank warrants) listed on any recognized stock exchange in Canada or in the United States:~~

| ~~**Long Positions**~~ | ~~**Margin Required**~~ |
|---|---|
| ~~a) Securities trading at $2.00 or more~~ | ~~50% of market value~~ |
| ~~b) Securities trading between $1.75 and $1.99~~ | ~~60% of market value~~ |
| ~~c) Securities trading between $1.50 and $1.74~~ | ~~80% of market value~~ |
| ~~d) Securities selling under $1.50 may not be carried on margin.~~ | |

~~From time to time, the Bourse can determine that positions in securities listed on markets or that are in a group on a market and for which the financial requirements for an initial or a permanent listing do not include adequate requirements regarding net earnings before taxes, tangible assets and minimum working capital may not be carried on margin.~~

| | ~~**Short Positions**~~ | ~~**Credit Required**~~ |
|---|---|---|
| ~~a)~~ | ~~Securities trading at \$2.00 or more~~ | ~~150% of market value~~ |
| ~~b)~~ | ~~Securities trading between \$1.50 and \$1.99~~ | ~~\$3.00 per share~~ |
| ~~c)~~ | ~~Securities trading between \$0.25 and \$1.49~~ | ~~200% of market value~~ |
| ~~d)~~ | ~~Securities trading at less than \$0.25~~ | ~~Market value plus \$0.25 per share~~ |

~~**2) Securities listed on some other exchanges and that are components of an index**~~

~~For positions in securities (other than bonds and debentures, but including rights and warrants), 50% of the market value, provided that the two following conditions are met:~~

~~A) the exchange on which the security is listed is an exchange whose name appears in the list of exchanges and associations qualifying as « recognized exchanges and associations » published from time to time by the Investment Dealers Association of Canada for the purpose of determining "regulated entities";~~

~~B) the security is a component of the main broad-based index of the exchange on which it is listed.~~

~~**3) Index products**~~

~~**A) Long qualifying basket of index securities or long index participation units**~~

~~The minimum margin required, must be the sum of:~~

~~i) in the case of index participation units, the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) of the qualifying basket of index securities (or index participation units); and~~

~~ii) in the case of a qualifying basket of index securities, the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities;~~

~~multiplied by the market value of the qualifying basket of index securities (or index participation units).~~

~~**B) Short qualifying basket of index securities or short index participation units**~~

~~The minimum margin required must be the sum of:~~

~~i) 100%; and~~

~~ii) the floating margin rate percentage (calculated for the index participation unit or a perfect basket of index securities) of the qualifying basket of index securities (or index participation units); and~~

~~iii) in the case of a qualifying basket of index securities, the calculated incremental basket margin rate percentage;~~

~~multiplied by the market value of the qualifying basket of index securities (or index participation units).~~

**~~C) Long qualifying basket of index securities offset with short index participation units~~**

~~Where a position in a qualifying basket of index securities is carried long in an account and the account is also short an equivalent number of index participation units, the margin required must be the sum of the published tracking error margin rate and the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the index participation units.~~

**~~D) Short qualifying basket of index securities offset with long index participation units~~**

~~Where a position in a qualifying basket of index securities is carried short in an account and the account is also long an equivalent number of index participation units, the margin required must be the sum of:~~

~~i) the tracking error margin rate, unless the short basket of index securities is of a size sufficient to comprise a basket of securities or multiple thereof required to obtain the index participation units;~~

~~and~~

~~ii) the calculated incremental basket margin rate for the qualifying basket of index securities;~~

~~multiplied by the market value of the index participation units.~~

**~~E) Long qualifying basket of index securities – short index participation units – commitment to purchase index participation units~~**

~~Where an approved participant has a commitment pursuant to an underwriting agreement to purchase a new issue of index participation units, and holds an equivalent long position in a qualifying basket of index securities and also holds an equivalent number of short index participation units, no capital is required, provided the long basket:~~

~~i) is of size sufficient to comprise a basket of securities or multiple thereof required to obtain the index participation units; and~~

~~ii) does not exceed the approved participant's underwriting commitment to purchase the index participation units.~~

**~~4) Securities eligible to a reduced margin rate~~**

~~The margin required is 30% of the market value on long positions and the credit required is 130% of the market value on short positions if such securities are:~~

~~i) on the list of securities eligible to a reduced margin rate as approved by a recognized self-regulatory organization and such securities continue to be traded at $2.00 or more;~~

~~ii) securities against which options issued by the Options Clearing Corporation are traded;~~

~~iii) convertible into securities that qualify under subparagraph i) or subparagraph ii);~~

~~iv) non-convertible preferred and senior shares of an issuer any of whose securities qualify under subparagraph i); or~~

~~v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify under subparagraph i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.~~

~~For the purpose of the present paragraph 3) the Bourse and the Investment Dealers Association of Canada are designated as recognized self-regulatory organizations.~~

**~~5) Warrants issued by a Canadian chartered bank~~**

~~For positions (other than positions of an approved participant that are subject to the provisions of paragraph 9 of article 7213) in warrants issued by a Canadian chartered bank and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof, the required margin must be the greater of the two following elements:~~

~~a) The margin otherwise required by paragraph 1) of this article according to the market value of the warrant; or~~

~~b) 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant. However, in the case of a long position, the amount of margin need not exceed the market value of the warrant.~~

**7202A Margin Offsets on Capital Shares**
(19.03.93, 01.04.93, 01.01.04, 13.09.05, abr. 00.00.00)

~~1) For the purposes of the present article:~~

~~a) "capital share" means a share issued by a split share company which represents all or a substantial portion of the capital appreciation portion of the underlying common share;~~

~~b) "capital share conversion loss" means any excess of the market value of the capital shares over the retraction value of the capital shares;~~

~~c) "combined conversion loss" means any excess of the combined market value of the capital and preferred shares over the combined retraction value of the capital and preferred shares;~~

~~d) "preferred share" means a share issued by a split share company which represents all or a substantial portion of the dividend portion of the underlying common share, and includes equity dividend shares of split share companies;~~

~~e) "retraction value" means:~~

~~A) for capital shares:~~

~~i) where the capital shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place;~~

~~ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place;~~

~~B) for capital shares and preferred shares in combination:~~

~~i) where the capital shares and preferred shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the market value of the underlying common shares received;~~

~~ii) where the capital shares and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital and preferred shares takes place;~~

~~f) "split share company" means a corporation formed for the sole purpose of acquiring underlying common shares and issuing its own capital shares based on all or a substantial portion of the capital appreciation portion and its own preferred shares based on all or a substantial portion of the dividend income portion of such underlying common shares.~~

~~2) Long capital shares and short common shares~~

~~Where capital shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the lesser of:~~

~~a) the sum of:~~

~~I) the capital share conversion loss, if any; and~~

~~II) the normal capital required (margin required in the case of client account positions) on the equivalent number of preferred shares;~~

~~or~~

~~b) the normal capital required (margin required in the case of client account positions) on the underlying common shares;~~

~~and~~

~~ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.~~

~~3) Long capital shares, long preferred shares and short common shares~~

~~Where both capital shares and an equivalent number of preferred shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the lesser of:~~

~~a) combined conversion loss, if any; or~~

~~b) the normal capital required (margin required in the case of client account positions) on the underlying common shares;~~

~~and~~

~~ii) where the capital shares and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common share, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.~~

~~4) Long capital shares and short call options~~

~~Where capital shares are carried long in an account and the account is also short an equivalent number of call options expiring on or before the redemption date of the capital shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the lesser of:~~

~~a) the normal capital required (margin required in the case of client account positions) on the capital shares less, if any, the market value of the short call options, however, the capital required cannot be less than zero; and~~

~~b) any excess of the market value of the underlying common shares over the aggregate exercise value of the call options;~~

~~and~~

~~ii) the capital share conversion loss, if any; and~~

~~iii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.~~

~~5) Long common shares and short capital shares~~

~~Where common shares are carried long in an account and the account is also short an equivalent number of capital shares, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the lesser of:~~

~~a) the sum of:~~

~~I) the capital share conversion loss, if any; and~~

~~II) the normal capital required (margin required in the case of client account positions) on the equivalent number of preferred shares;~~

~~and~~

~~b) the normal capital required (margin required in the case of client account position) on the underlying common shares;~~

~~and~~

~~ii) 40% of the normal capital required (margin required in the case of client account positions) on the underlying common shares.~~

~~6) Long common shares, short capital shares and short preferred shares~~

~~Where common shares are carried long in an account and the account is also short both an equivalent number of capital shares and an equivalent number of preferred shares, the capital and margin requirements, for approved participants and client account positions respectively, must be equal to the sum of:~~

~~i) the lesser of:~~

~~a) the combined conversion loss, if any; or~~

~~b) the normal capital required (margin required in the case of client account positions) on the underlying common shares;~~

~~and~~

~~ii) where the capital and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 40% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.~~

**7202B Instalment Receipts**
(20.12.96, 13.09.05, abr. 00.00.00)

~~a) For the purposes of this article, the following definitions apply:~~

~~i) "instalment receipt" means a security issued by or on behalf of an issuer or a selling security holder that evidences partial payment for an underlying security and requires one or many subsequent payments by instalments in order to entitle the holder of the instalment receipt to delivery of the underlying security;~~

~~ii) "underlying security" means the security of an issuer purchased pursuant to an instalment receipt;~~

~~iii) "future payment(s)" means the unpaid payment or payments of the purchase price of an underlying security pursuant to an instalment receipt.~~

~~b) No approved participant must purchase or hold an instalment receipt pursuant to which the approved participant, or any nominee or holder for the approved participant including The Canadian Depository for Securities Limited or other depository (collectively a "nominee"), is required to make any payment (other than a payment made for the approved participant's own account as beneficial owner of the instalment receipt), unless the agreement, pursuant to which the instalment receipts are created and issued, allows the approved participant or its nominee to be released from the responsibility to make any such payment, either by:~~

~~i) transfer of the instalment receipt to a person other than the approved participant, if there has been a failure to pay in full any instalment when due. In this regard, the agreement in question must provide that such transfer can take place at any time prior to the close of business (Montreal time) on the second business day following the default in payment and prior to the time the issuer's or selling security holder's rights, with respect to this default, can be exercised; or~~

~~ii) any other mechanism as may from time to time be approved by the Bourse.~~

~~c) If there has been a failure to pay in full any instalment when due pursuant to an instalment receipt and if such instalment receipt is registered in the name of the approved participant or its nominee, such approved participant must forthwith, within the time permitted by the applicable agreement pursuant to which the instalment receipts are created and issued, take all the necessary steps to be released from the responsibility to make any payment, including, if relevant, causing such instalment receipt to be transferred to another person.~~

~~d) Subject to sub-paragraphs e) and f) below, the margin or the capital required for an instalment receipt held, respectively, in a client account or in inventory must be the margin or the capital applicable to the underlying security.~~

~~e) The margin required for an instalment receipt in a client account must not exceed the market value of the instalment receipt.~~

~~f) Where the future payments exceed the market value of the underlying security, the capital required for an instalment receipt held in inventory must be the capital applicable to the underlying security plus (except in the case of a short position) the amount by which the future payments exceed the market value of the underlying security.~~

**7203 Unlisted Securities Eligible to Margin**
(01.04.93, 18.02.00, 13.09.05, 25.11.05, 28.09.07, 00.00.00)

~~a) Provided there exists a verifiable market between dealers and securities brokers for positions in the following unlisted securities may be carried on margin on the same basis as prescribed for listed securities:~~

- ~~securities of Canadian banks;~~
- ~~securities of insurance companies licensed to do business in Canada;~~
- ~~securities of Canadian trust companies;~~
- ~~Securities of mutual funds qualified for sale by prospectus in any Canadian province, except money market mutual funds securities (as defined in Regulation 81-102 regarding mutual funds) which can be margined at a rate of 5%;~~
- ~~other senior securities of already listed companies;~~
- ~~unlisted securities in respect of which application has been made to list on a recognized stock exchange in Canada and approval has been given subject to the filing of relevant documents and of satisfactory evidence of distribution may be carried on margin for a period not exceeding 90 days from the date of such approval;~~
- ~~securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the "basket clause";~~
- ~~all securities listed on the Nasdaq Stock Market℠ (Nasdaq National Market® and The Nasdaq SmallCap Market℠).~~

~~b) The minimum margin required on all other unlisted securities not mentioned above must be as follows:~~

| ~~**Long Positions**~~ | ~~**Margin Required**~~ |
|---|---|
| | ~~100% of market value~~ |

| ~~**Short Positions**~~ | ~~**Credit Required**~~ |
|---|---|
| ~~Securities trading at $0.50 or more~~ | ~~200% of market value~~ |
| ~~Securities trading at less than $0.50~~ | ~~Market value plus $0.50 per share~~ |

**7204 Bonds, Debentures, Treasury Bills and Notes**
(01.07.86, 04.02.87, 15.09.89 30.04.91, 09.10.91, 01.03.93, 01.05.93, 05.07.93, 01.04.93, 27.05.97, 18.02.98, 29.08.01, 17.05.04, 13.09.05, 28.09.07, 01.05.08)

~~GROUP I Governments of Canada, United States, United Kingdom and other foreign national governments~~

~~The margins required on bonds, debentures, Treasury bills, and other securities of or guaranteed by the Government of Canada, of the United States, of the United Kingdom and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service Inc. or Standard & Poor's Corporation, respectively), and maturing (or called for redemption) in the periods indicated below, are as follows:~~

| | ~~**Margin Required**~~ |
|---|---|
| ~~1 year or less~~ | ~~1% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365.~~ |
| ~~over 1 year to 3 years~~ | ~~1% of market value~~ |
| ~~over 3 years to 7 years~~ | ~~2% of market value~~ |
| ~~over 7 years to 11 years~~ | ~~4% of market value~~ |
| ~~over 11 years~~ | ~~4% of market value~~ |

~~GROUP II Provinces of Canada and International Bank of Reconstruction and Development~~

~~The margins required on bonds, debentures, treasury bills and other securities of or guaranteed by any Province of Canada, bonds of the International Bank of Reconstruction and Development, and bonds and debentures guaranteed by the deposit in trust of a grant payable by a province in Canada covering the principal and the interest maturing, or called for redemption in the time periods indicated below are as follows:~~

| | ~~**Margin required**~~ |
|---|---|
| ~~1 year or less~~ | ~~2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365~~ |
| ~~over 1 year to 3 years~~ | ~~3% of market value~~ |

| | |
|---|---|
| ~~over 3 years t 7 years~~ | ~~4% of market value~~ |
| ~~over 7 years to 11 years~~ | ~~5% of market value~~ |
| ~~over 11 years~~ | ~~5% of market value~~ |

~~GROUP III Municipal, school and hospital corporations and religious orders~~

~~Margins required on bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or in the United Kingdom, maturing in the time periods indicated below, are as follows:~~

| | **~~Margin required~~** |
|---|---|
| ~~1 year or less~~ | ~~3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365~~ |
| ~~over 1 year to 3 years~~ | ~~5% of market value~~ |
| ~~over 3 years to 7 years~~ | ~~5% of market value~~ |
| ~~over 7 years to 11 years~~ | ~~5% of market value~~ |
| ~~over 11 years~~ | ~~5% of market value~~ |

~~Bonds and debentures (not in default) of or guaranteed by any school corporation, religious order or hospital corporation in Canada, 5% of market value.~~

~~GROUP IV Other non-commercial bonds and debentures~~

~~The margin required on other non-commercial bonds and debentures (not in default), is equal to 10% of market value.~~

~~GROUP V Corporations and trust and mortgage loan companies non-negotiable and non-transferable debt securities~~

~~The margins required on commercial and corporate bonds, debentures and notes (not in default) and non negotiable and non transferable trust company and mortgage loan company obligations registered in the approved participant's name, maturing in the time periods indicated below, are, subject to the provisions of paragraphs a1) to 6) hereafter, as follows :~~

| | **~~Margin Required~~** |
|---|---|
| ~~1 year or less~~ | ~~3% of market value~~ |
| ~~over 1 year to 3 years~~ | ~~6% of market value~~ |

~~over 3 years to 7 years 7% of market value~~

~~over 7 years to 11 years 10% of market value~~

~~over 11 years 10% of market value~~

~~1) if convertible and selling over par, the margin required must be the lesser of the two following amounts:~~

~~a) the sum of the two following elements :~~

~~i) the par value multiplied by the above rates;~~

~~ii) the excess of market value over the par value;~~

~~b) the maximum margin required for a convertible security calculated pursuant to paragraph 10 of article 7213;~~

~~2) if these securities are convertible and selling at or below par, the margin required must be the above rates multiplied by the market value;~~

~~3) if these securities are selling at 50% or less of the par value and if they are rated "B" or lower by either Dominion Bond Rating Service or by Canadian Bond Rating Service, the margin required must be 50% of the market value;~~

~~4) in the case of U.S. pay securities, if selling at 50% or less of the par value and if rated "B" or lower by either Moody's or Standard & Poors, the margin required must be 50% of the market value;~~

~~5) if these securities are convertible and are residual debt instruments (zero coupon), the margin required is the lesser of the two following amounts :~~

~~a) the greater of~~

~~i) the margin required for a convertible debt instrument calculated pursuant to this Group V;~~

~~ii) the margin required for a residual debt instrument (zero coupon), calculated pursuant to Group XI of this article;~~

~~b) the maximum margin required for a convertible security calculated pursuant to paragraph 10 of article 7213;~~

~~6) where such commercial bonds, debentures and notes are debt securities of companies whose notes are acceptable notes, as defined in Group VI of the present article, then the margin requirements of this Group VI must apply.~~

~~GROUP VI Corporations and trust and mortgage loan companies – negotiable and transferable debt securities~~

~~The margins required on acceptable commercial, corporate and finance company notes, and trust company and mortgage loan company bonds, readily negotiable and transferable and maturing in the time periods indicated below are as follows:~~

| | **~~Margin Required~~** |
|---|---|
| ~~1 year or less~~ | ~~3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365~~ |
| ~~over 1 year~~ | ~~apply rates for commercial and corporate bonds, debentures and notes~~ |

~~Acceptable commercial, corporate and finance company notes means notes issued by a company incorporated in Canada or in any province of Canada and a) having a net worth of not less than $10,000,000 or b) guaranteed by a company having a net worth of not less than $10,000,000 or c) a binding agreement exists whereby a company having a net worth of not less than $25,000,000 is obliged, as long as the notes are outstanding, to pay to the issuing company or to a trustee for the noteholders, amounts sufficient to cover all indebtedness under the notes where the borrower:~~

~~a) files annually under the applicable provincial legislation a prospectus relating to its notes which have a term to maturity of one year or less and provides to approved participants acting as authorized agents the following information in written form:~~

~~i) disclosure of limitation, if any, on the maximum principal amount of notes authorized to be outstanding at any one time;~~

~~ii) a reference to the bank lines of credit of the borrower or of its guarantor if a guarantee is required;~~

~~or~~

~~b) provides to approved participants acting as authorized agents an information circular or memorandum which includes or is accompanied by the following:~~

~~i) recent audited financial statements of the borrower or of its guarantor if a guarantee is required;~~

~~ii) an extract from the borrower's general borrowing by-law dealing with the borrower's corporate authorization to borrow;~~

~~iii) a true copy of a resolution of directors of the borrower certified by the borrower's secretary, and stating in substance:~~

~~[1] the limitation, if any, on the maximum amount authorized to be borrowed by way of issues or notes;~~

~~[2] those officers of the borrower company who may legally sign the notes by hand or by facsimile;~~

~~[3] the denomination in which notes may be issued;~~

~~iv) where notes are guaranteed, a certified copy of a resolution of directors of the guarantor company, authorizing the guarantee of such notes;~~

~~v) a certificate of incumbency and facsimile signatures of the authorized signing officers of the borrower and its guarantor, if any;~~

~~vi) specimen copies of the note or notes;~~

~~vii) a favorable opinion from the legal counsel of the borrower regarding the incorporation, the organization and the corporate status of the borrower, its corporate capacity to issue the notes and the due authorization by it of the issuance of the notes;~~

~~viii) where notes are guaranteed, a favorable opinion from the legal counsel of the guarantor regarding the incorporation, the organization and the corporate status of the guarantor, its capacity to guarantee the notes and the due authorization, validity and effectiveness of its guarantee;~~

~~ix) a summary setting forth the following:~~

~~[1] a brief historical summary of the borrowing company and of its guarantor, if any;~~

~~[2] the purpose of the issue;~~

~~[3] a reference to the bank lines of credit of the borrowing company or of its guarantor, if a guarantee is required;~~

~~[4] the denomination in which notes may be issued.~~

~~GROUP VII Bonds in default~~

~~The margin required on bonds in default must be equal to 50% of market value.~~

~~GROUP VIII Income bonds~~

~~The margins required on income bonds and debentures on which interest has been paid in full at the stated rate for the two preceding years as required by the related trust indenture which must specify that such interest be paid if earned, are as follows:~~

~~Currently paying interest at the stated rate:~~

~~**Margin required**~~

~~10% of market value~~

~~Not paying interest, or paying at less than the stated rate:~~

~~**Margin required**~~

~~50% of market value~~

~~GROUP IX British Columbia Government guaranteed parity bonds:~~

~~**Long Positions**: ¼ of 1% of par value or rates prescribed under Group II above;~~

~~**Short Positions**: rates prescribed under Group II above.~~

~~GROUP X Floating rate debt obligations:~~

~~50% of the rates of margin otherwise required. If margin is otherwise required in respect of excess market value over par, 100% of the margin rates otherwise required must apply to the excess market value.~~

~~For the purpose of this paragraph, the term "floating rate debt obligation" means a debt instrument described in Groups I, II, III and VI of the present article and in article 7205 for which the rate of interest is adjusted at least quarterly by reference to an interest rate for periods of 90 days or less.~~

~~This paragraph is applicable only to an account of a market-maker or to inventory accounts of an approved participant.~~

~~GROUP XI Stripped Coupons and Residual Debt Securities~~

~~1) The margin required for stripped coupons and residual debt securities, which is based on a percentage of the market value, is equal to:~~

~~a) for securities with a term to maturity of less than 20 years, one and a half times the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates; and~~

~~b) for securities with a term of 20 years or more, three times the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates.~~

~~In determining the term to maturity of a coupon or other evidence of interest, the payment date for such interest must be considered the maturity date. Margin in respect of residual debt instruments which are convertible into other securities must be determined in accordance with Group V of this article.~~

~~2) Where an approved participant or a client holds a short (or long) position in bonds or debentures denominated in Canadian dollars issued or guaranteed by either the Government of Canada or a Province of Canada and also holds a long (or short) position in the stripped coupons or residual portion of such debt securities, the margin required must be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:~~

~~a) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residual portion to the extent that the market value of the two positions is equal. No offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;~~

~~b) margin required in respect of bonds or debentures issued or guaranteed by the Government of Canada may only be netted against the margin required for the stripped coupons or residual portion of other Government of Canada securities which mature within the same periods referred to in Group I of the present article;~~

~~c) margin required in respect of bonds or debentures issued or guaranteed by a Province of Canada may only be netted against the margin required for the stripped coupons or residual portion of another Province of Canada securities which mature within the same periods referred to in Group II of the present article.~~

~~3) Notwithstanding the foregoing provisions of this Group XI, where an approved participant or a client holds:~~

~~a) a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and a long (or short) position in the stripped coupons or residual portion of bonds or debentures issued or guaranteed by a province of Canada; or~~

~~b) a short (or long) position in bonds or debentures issued or guaranteed by a province of Canada and a long (or short) position in the stripped coupons or residual portion of bonds or debentures issued or guaranteed by the Government of Canada;~~

~~the margin required must be 50% of the total margin required for both positions otherwise determined under the Rules, provided that such margin may only be determined as aforesaid on the basis that:~~

~~i) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residual portion to the extent that the market value of the two positions is equal, and no such netting is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;~~

~~ii) margin required in respect of bonds or debentures may only be netted against the margin required for the stripped coupons or residual portion of securities which mature within the same periods referred to in Group I and II of this article;~~

~~iii) the bonds and debentures and the stripped coupons or residual portion of such debt instrument must be denominated in Canadian dollars.~~

~~4) Where an approved participant holds a short (or long) position in bonds or debentures denominated in Canadian dollars issued by a corporation with a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard and Poor's Bond Record, and also holds a long (or short) position in the stripped coupon or residual portion of such debt instruments, the margin required must be the lesser of 20% and the greater of the margin~~

~~required on the long (or short) position and the margin required on the short (or long) position, provided that the margin may only be determined as aforesaid on the basis that:~~

~~a) the offset is permitted only to the extent that the market value of the two positions is equal, and no offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and~~

~~b) margin required in respect of bonds or debentures issued by a corporation may only be offsetted against the margin required for the stripped coupons or residual portion of debt instruments of the same issuer, which mature within the same periods referred to in Group XI in this article for the purpose of determining margin rates.~~

~~5) Where an approved participant holds a short (or long) position in bonds or debentures denominated in a foreign currency referred to in Group I of this article and also holds a long (or short) position in the stripped coupons or residual portion of such debt instruments denominated in the same currency, the margin required must be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:~~

~~a) margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and~~

~~b) margin required in respect of bonds or debentures issued or guaranteed by a particular government may only be netted against the margin required for the stripped coupon or residual portion of debt instruments of the same government, which mature within the same periods referred to in Group I of this article for the purpose of determining margin rates.~~

~~GROUP XII Mortgage-backed securities~~

~~On securities which are based upon mortgages and are guaranteed as to timely payment of principal and interest by the issuer or its agent, the margin rate is the rate prescribed in articles 7204, 7205 and 7206 applicable to the securities of such guarantor according to the relevant maturity plus an additional margin of 25% of such applicable rate.~~

~~Where an approved participant or a client holds a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and also holds a long (or short) position in mortgage-backed securities guaranteed by the Government of Canada, the margin required must be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:~~

~~1) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in mortgage-backed securities to the extent that the market value of the two positions is equal. No netting or offset is permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;~~

~~2) Margin required in respect of bonds or debentures may only be netted against the margin required for the mortgage-backed securities which mature within the same periods referred to in the present article for the purpose of determining margin rates; and~~

~~3) Notwithstanding the foregoing, if the market value of a long (or short) position in mortgage-backed securities exceeds the remaining principal amount of such position and the mortgages underlying such mortgage-backed securities position are subject to being repaid in full at the option of the mortgagee prior to maturity, the margin required must be the greater of the individual margins for (i) the long (or short) position in mortgage-backed securities as determined under the present paragraph or (ii) the short (or long) position in bonds or debentures as determined under Group I of this article.~~

**7204A Pairing for Margin Purposes**
(09.10.91, 27.05.97, 18.02.98, 19.08.98, 17.12.02, 01.01.05, 13.09.05, 27.02.06, 01.05.08, abr. 00.00.00)

~~1) Where an approved participant or a client~~

~~a) owns securities described in Group I or II of article 7204 whose maturity is over one year, and~~

~~b) has a short position in securities~~

~~i) issued or guaranteed by the same issuer of the securities referred to in a) (provided that for these purposes each of the provinces of Canada must be regarded as the same issuer as any other province);~~

~~ii) maturing over one year;~~

~~iii) maturing within the same periods for the purpose of determining margin rates for the securities referred to in a); and~~

~~iv) with a market value equal to the securities referred to in paragraph a) (with the intent that no pairing is permitted in respect of the market value of a long [or short] position which is in excess of the market value of the short [or long] position);~~

~~the two positions may be offset and the required margin must be computed with respect to the net long or net short position only. This rule also applies to future purchase and sale commitments.~~

~~2) Where an approved participant or a client~~

~~a) owns securities described in Group I or II of article 7204 maturing within one year, and~~

~~b) has a short position in securities~~

~~i) issued or guaranteed by the same issuer of the securities referred to in a) (provided that for these purposes, each of the provinces of Canada must be regarded as the same issuer as any other province);~~

~~ii) maturing within one year; and~~

~~iii) with a market value equal to the securities referred to in paragraph a) (with the intent that no offset is permitted in respect of the market value of a long [or short] position which is in excess of the market value of the short [or long] position);~~

~~then the margin required must be the excess of the margin on the long (or short) position over the margin required on the short (or long) position. This rule also applies to future purchase and sale commitments.~~

~~3) A) Where an approved participant or a client has a short and long position in the following groups of securities of article 7204, the total margin required in respect of both positions must be 50% of the greater of the margin required on the long or short position:~~

| | Long (Short) | | Short (Long) |
|---|---|---|---|
| ~~a)~~ | ~~Group I (Canada only)~~ | ~~and~~ | ~~Group I (Canada only with different maturity bands)~~ |
| ~~b)~~ | ~~Group I (Canada only)~~ | ~~and~~ | ~~Group II (province of Canada only with identical or different maturity bands)~~ |
| ~~c)~~ | ~~Group I (Canada only)~~ | ~~and~~ | ~~Group III (municipality of Canada only)~~ |
| ~~d)~~ | ~~Group II (province of Canada only)~~ | ~~and~~ | ~~Group II (province of Canada only with different maturity bands)~~ |
| ~~e)~~ | ~~Group II (province of Canada only)~~ | ~~and~~ | ~~Group III (municipality of Canada only)~~ |

~~B) Where an approved participant or a client has a short and long position in the following groups of securities of article 7204, the total margin required in respect of both positions must be the greater of the margin required on the long or short position:~~

| | Long (Short) | | Short (Long) |
|---|---|---|---|
| ~~f)~~ | ~~Group I (U.S. Treasury only)~~ | ~~and~~ | ~~Group I (Canada only)~~ |
| ~~g)~~ | ~~Group I (U.S. Treasury only)~~ | ~~and~~ | ~~Group II (province of Canada only)~~ |
| ~~h)~~ | ~~Group I (Canada and~~ | ~~and~~ | ~~Group III (municipality of Canada only) U.S. Treasury only)~~ |
| ~~i)~~ | ~~Group I (Canada and U.S. Treasury only)~~ | ~~and~~ | ~~Group V (corporate)~~ |
| ~~j)~~ | ~~Group II (province of Canada only)~~ | ~~and~~ | ~~Group III (municipality of Canada only)~~ |
| ~~k)~~ | ~~Group II (province of Canada only)~~ | ~~and~~ | ~~Group V (corporate)~~ |
| ~~l)~~ | ~~Group V (corporate)~~ | ~~and~~ | ~~Group V (corporate of the same issuer)~~ |

~~C) Furthermore, the offsets described above in paragraphs A) and B) may only apply if the following requirements are complied with:~~

~~i) securities offsets described in subparagraphs a), b) and d) can be of different maturity bands, all other offsetting positions must mature within the same periods referred to in article 7204 for the purpose of determining margin rates;~~

~~ii) securities described in Group III (municipality of Canada) of article 7204 are eligible for offsets described in subparagraphs c) and e) only if they have a long-term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;~~

~~iii) securities described in Group V (corporate) of article 7204 and securities described in article 7205 are eligible for offset only if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;~~

~~iv) securities in offsetting positions must be denominated in the same currency; and~~

~~v) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position.~~

~~For the purpose of this article, securities described in article 7205 are eligible for an offset identical to the one applicable to securities described in Group V of article 7204.~~

**7204B Supplemental margin**
(09.10.91, 01.04.93, 13.09.05, abr. 00.00.00)

~~For the purposes of articles 7204, 7205, 7206 and 7209, a supplemental margin shall be required in addition to the margin requirements prescribed elsewhere in the Rules, in respect of all securities evidencing a debt obligation of an issuer on the following basis:~~

~~1) A debt security issued by the Government of Canada maturing in each of the three periods below shall be monitored for price volatility in the primary markets in which approved participants trade such securities:~~

~~a) over 1 year to 3 years;~~
~~b) over 3 years to 7 years; and~~
~~c) over 7 years~~

~~2) The closing price of the relevant security on each trading day in the markets being monitored (a "base day") shall be compared to the closing price of such security on the next four trading days succeeding such base day. The first day of such four succeeding days on which the difference (negative or positive) between i) the closing price of this day and ii) the base day closing price, expressed as a percentage of the base day closing price, is greater than the margin rate prescribed for the relevant security under the rules shall be designated as an "offside base day". If an offside base day has been designated as such, that day shall be the new base day for the purpose of making further base day closing price comparisons as aforesaid.~~

~~For any 90 calendar day period, the percentage that the number of offside base days is to the total number of trading days in such period shall be determined. If such percentage exceeds 5% for any two of the three classes of debt securities being monitored, supplemental margin will be required for all debt securities in accordance with this article.~~

~~3) The amount of supplemental margin that may be required in respect of any securities shall be 50% of the margin otherwise required under articles 7204, 7205, 7206 and 7209.~~

~~4) The period of time during which supplemental margin shall be required shall not be less than 30 days.~~

~~5) The Bourse shall be responsible for monitoring the price volatility of debt securities and determining when supplemental margin is required in accordance with paragraph 2) and when the requirement for supplemental margin shall be revoked in accordance with paragraph 6).~~

~~6) If at any time after supplemental margin has been required for at least 30 days in accordance with paragraph 2), the percentage that the number of offside base days is to the total number of trading days for the immediately preceding 90 days period does not exceed 5%, the requirement for supplemental margin shall be revoked.~~

~~7) The Bourse shall notify approved participants of the imposition or revocation of the requirement for supplemental margin. Any such notification shall be communicated in writing to all approved participants immediately upon the determination that such supplemental margin must be imposed or revoked and such notice shall be effective not less than five business days after giving the notice.~~

**7205 Bank Papers**
(01.04.93, 13.09.05, abr. 00.00.00)

~~Deposit certificates, promissory notes, debentures or banker's acceptances issued by a Canadian chartered bank maturing:~~

| | ~~**Margin Required**~~ |
|---|---|
| ~~within 1 year or less~~ | ~~2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365~~ |

| | ~~**Margin required**~~ |
|---|---|
| ~~over 1 year~~ | ~~same rates as for commercial and corporate bonds, debentures and notes~~ |

**7206 Foreign Bank and Company Acceptable Papers**
(01.04.93, 13.09.05, abr. 00.00.00)

~~1) Foreign bank acceptable papers~~

~~Deposit certificates or promissory notes issued by a foreign bank, readily negotiable and transferable and maturing:~~

| | ~~**Margin required**~~ |
|---|---|
| ~~within 1 year~~ | ~~2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365~~ |
| ~~over 1 year~~ | ~~same rates as for commercial and corporate bonds, debentures and notes~~ |

~~"Foreign bank acceptable papers" means deposit certificates or promissory notes issued by a bank other than a Canadian chartered bank with a net worth (capital and reserves) of not less than $200,000,000.~~

~~2) Foreign commercial, corporate and finance company acceptable notes~~

~~Foreign commercial, corporate and finance company acceptable notes readily negotiable and maturing:~~

| | ~~**Margin Required**~~ |
|---|---|
| ~~within 1 year~~ | ~~3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365~~ |
| ~~over 1 year~~ | ~~same rates as for commercial and corporate bonds, debentures and notes~~ |

~~" Foreign commercial, corporate and finance company acceptable notes" means promissory notes issued by a company, or guaranteed by a company incorporated in a country other than Canada, with a net worth of not less than $25,000,000 and which provides information equivalent to that required under Group VI of article 7204.~~

**7207 Margin Requirements for Repurchase, Resale and Cash and Securities Loan Transactions**
(01.01.94, 13.09.05, abr. 00.00.00)

~~1) For the purposes of the present article:~~

~~"repo" means an agreement to sell and repurchase securities;~~

~~"reverse repo (resale)" 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 approved participant as part of the transaction.~~

~~2) Notwithstanding the requirements set out in the “Joint Regulatory Financial Questionnaire” and Report of Policy C-3 of the Bourse to make any provision out of an approved participant's capital in respect of a repo, reverse repo or securities loan, where:~~

~~a) 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~~

~~b) 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 annual percentage or any other manner that does not vary until termination),~~

~~the margin in respect of the obligation of the approved participant thereunder must be determined in accordance with Group I of article 7204 -, provided that this paragraph 2) does not apply in the case of an overnight repo, reverse repo or securities loan which for the purposes of this article means an obligation to repurchase, resell or terminate the loan within five (5) business days of the date the obligation is assumed. All calculations must be performed daily and must make full provision for any principal and return of capital then payable, all accrued interest, dividends or other distributions on securities used as collateral.~~

~~3) Where an approved participant~~

~~a) has entered into a repo, reverse repo or securities loan transaction as described in paragraph 2) and in respect of which the time period to the date of repurchase, resale or termination of the loan, as the case may be, is over one (1) year; and~~

~~b) has an offsetting position in a reverse repo, repo or securities loan transaction denominated in the same currency and within the same margin category based on maturity,~~

~~the two positions may be paired and the required margin computed with respect to the net position only.~~

~~4) Where an approved participant~~

~~a) has entered into a repo, reverse repo or securities loan transaction as described in paragraph 2) in respect of which the time to the date of repurchase, resale or termination of the loan is within one (1) year; and~~

~~b) has an offsetting position in a reverse repo, repo or securities loan transaction denominated in the same currency and maturing within one (1) year,~~

~~the margin required must be the difference between the margin on the two positions.~~

**7208 Margin on Gold, Silver and Platinum**
(27.01.87, 01.03.90, 01.04.93, 13.09.05, abr. 00.00.00)

~~The minimum amounts of margin which must be obtained from customers (and which must be maintained) on precious metals and on negotiable certificates on precious metals issued by Canadian chartered banks and trust companies authorized to do business in Canada are:~~

| | |
|---|---|
| ~~Gold :~~ | ~~10% of market value~~ |
| ~~Platinum and silver :~~ | ~~15% of market value.~~ |

**7209 Mortgage - National Housing Act (N.H.A.)**
(01.04.93, 13.09.05, abr. 00.00.00)

~~1) Mortgage insured under the National Housing Act:~~

~~6% of market value.~~

~~2) Conventional first mortgages held in approved participant or market makers inventories:~~

~~12% of market value or the rates set by chartered banks, whichever is greater.~~

**7210 Margin requirements on Unhedged Foreign Exchange Positions**
(03.09.96, 13.09.05, abr. 00.00.00)

~~Unhedged foreign exchange positions of an approved participant or customer of an approved participant must be margined in accordance with the present article. Foreign exchange positions are monetary assets and liabilities (as hereinafter defined) and must include currency spot transactions, futures contracts, forward contracts, swaps and any other transaction which results in exposure to foreign exchange rate risk.~~

**~~1) GENERAL PRINCIPLES~~**

~~A) Each unhedged foreign exchange position must be margined in the manner provided in the present article, on a currency by currency basis, according to the four currency groups defined in paragraph 5) at the following margin rates, subject to an adjustment to the margin rate of a group 1, 2 or 3 currency pursuant to sub-paragraph 5 C) of the present article:~~

| | ~~CURRENCY GROUPS~~ | | | |
|---|---|---|---|---|
| | **~~1~~** | **~~2~~** | **~~3~~** | **~~4~~** |
| ~~Spot Risk Margin Rate~~ | ~~1.0%~~ | ~~3.0%~~ | ~~10.0%~~ | ~~25.0%~~ |
| ~~Term Risk Margin Rate~~ | ~~1.0%~~ | ~~3.0%~~ | ~~5.0%~~ | ~~12.5%~~ |

~~B) All calculations in respect of unhedged positions must be made on a trade date basis.~~

~~C) Approved participants are permitted, at their option, to margin certain inventory positions in accordance with paragraph 3, instead of the other applicable provisions of this article.~~

~~D) References to conversion to Canadian dollars at the spot exchange rate must be to the rate quoted by a recognized quote vendor for contracts with a term to maturity of one day.~~

~~E) Monetary assets and liabilities are assets and liabilities, respectively, of an approved participant in respect of money and claims to money, whether denominated in foreign or domestic currency, which are fixed by contract or otherwise.~~

~~F) Long or short currency futures contracts held in inventory and listed on a recognized exchange, which are included in the unhedged foreign exchange calculations hereunder, are not required to be margined pursuant to articles 14201 and 14209.~~

~~G) Approved participants are permitted, at their option, to exclude non-allowable monetary assets from monetary assets for the purpose of calculating the margin requirements under the present article.~~

~~H) For the purpose of this article, the Chicago Mercantile Exchange and the Philadelphia Board of Trade are deemed to be recognized exchanges.~~

## ~~2) FOREIGN EXCHANGE MARGIN REQUIREMENTS~~

~~The margin requirements for foreign exchange positions must correspond to the aggregate of the spot risk margin requirement and the term risk margin requirement, calculated based on the spot risk margin rate and the term risk margin rate, respectively, specified in sub-paragraph 1 A) of this article.~~

### ~~A) Spot Risk Margin requirement~~

~~i) The spot risk margin requirement must apply to all monetary assets and liabilities, regardless of term to maturity.~~

~~ii) The spot risk margin requirement must be calculated as the product of the net monetary position and the spot risk margin rate.~~

~~iii) Monetary assets and liabilities will be considered to be spot positions, unless they have a term to maturity of more than 3 days.~~

~~iv) The spot risk margin requirement must be converted to Canadian dollars at the then current spot exchange rate.~~

### ~~B) Term Risk Margin requirement~~

~~i) The term risk margin requirement must apply to all monetary assets and liabilities which have a term to maturity of more than 3 days, the term to maturity being defined as the amount of time to when the right to the monetary asset or the obligation to satisfy monetary liability expires.~~

~~ii) The term risk margin requirement is calculated as the product of the market value of the monetary asset or liability, the weighting factor and the term risk margin rate. The weighting factor of a monetary asset or liability having a term to maturity of 2 years or less must correspond to the number of days to maturity of the monetary asset or liability divided by 365 days, provided that if the term to maturity is 3 calendar days or less, the weighting factor must be zero.~~

~~iii) The term risk margin rate for an unhedged foreign exchange position must not exceed the following rates:~~

| | ~~CURRENCY GROUPS~~ | | | |
|---|---|---|---|---|
| | **~~1~~** | **~~2~~** | **~~3~~** | **~~4~~** |
| ~~Maximum Term Risk Margin Rate~~ | ~~4.0%~~ | ~~7.0%~~ | ~~10.0%~~ | ~~25.0%~~ |

~~iv) Where the approved participant has both monetary assets and monetary liabilities, the term risk margin requirements may be netted as follows:~~

~~i) 2 years or less to maturity~~

~~The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency, which both have a term to maturity of 2 years or less, must correspond to the net of the term risk margin requirements of the monetary assets and liabilities;~~

~~ii) Over 2 years to maturity~~

~~The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency, which both have a term to maturity of more than 2 years, must correspond to the greater of the term risk margin requirements of the monetary assets and liabilities;~~

~~iii) Provisos~~

~~a) The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency, where one has a term to maturity of 2 years or less and the other has a term to maturity of more than 2 years and which have a difference in their respective terms to maturity of 180 days or less, must correspond to the net of the term risk margin requirements of the monetary assets and liabilities.~~

~~b) Where an approved participant has offsetting positions, one having a term to maturity of 2 years or less and the other having a term to maturity of more than 2 years, the sum of the term risk margin requirements of the offsetting positions must not exceed the product of the market value which is offsetted and the following rates:~~

| ~~CURRENCY GROUPS~~ | | | |
|---|---|---|---|
| ~~**1**~~ | ~~**2**~~ | ~~**3**~~ | ~~**4**~~ |
| ~~5.0%~~ | ~~10.0%~~ | ~~20.0%~~ | ~~50.0%~~ |

~~v) The term risk margin requirement must be converted to Canadian dollars at the then current spot exchange rate; and~~

~~vi) The sum of the security margin requirement and of the foreign exchange margin requirement must not exceed 100%.~~

## ~~3) ALTERNATIVE MARGIN ON FUTURES AND FORWARD CONTRACTS HELD IN INVENTORY~~

~~As an alternative to the foreign exchange margin requirement determined under the present article, for futures contracts and forward contracts positions held in inventory and denominated in a currency for~~

~~which a currency futures contract is traded on a recognized exchange, the foreign exchange margin requirement may be calculated as follows:~~

**~~A) Futures Contracts~~**

~~Foreign exchange positions consisting of futures contracts may be margined at the margin rates prescribed by the exchange on which such futures contracts are listed.~~

**~~B) Forward Contracts Pairings~~**

~~Forward contracts positions which are not denominated in Canadian dollars may be margined as follows:~~

~~i) the margin must be the greater of the margin as prescribed in paragraphs 1) and 2) of this article for each position; and~~

~~ii) two forward contracts held by an approved participant which (a) have one currency common to both contracts, (b) are for the same settlement date and (c) have equal and offsetting amounts of common currency positions may be treated as a single contract for the purposes of this sub-paragraph 3 B).~~

**~~C) Futures and Forward Contract Pairings~~**

~~Futures contracts and forward contracts positions which are not denominated in Canadian dollars may be margined as follows:~~

~~i) a) margin must be the greater of the margin as prescribed in paragraphs 1) and 2) of this article for each position;~~

~~b) margin rates applicable to unhedged positions under this sub-paragraph 3 C) must be the rates established by the present article and not the rates prescribed by the exchange on which the futures contracts are listed; and~~

~~ii) two forward contracts held by an approved participant which (a) have one currency common to both contracts, (b) have the same settlement date and (c) have equal and offsetting amounts of common currency positions may be treated as a single contract for the purposes of this sub-paragraph 3 C).~~

**~~4) CLIENT ACCOUNTS MARGIN~~**

~~Unhedged foreign exchange positions of clients must be margined in accordance with paragraphs 1, 2, and 5 of this article, provided that:~~

~~i) no margin is required in respect of the accounts of clients who are acceptable institutions, as defined in Policy C-3 of the Bourse entitled "Joint Regulatory Financial Questionnaire and Report";~~

~~ii) the margin required in respect of acceptable counterparties and regulated entities, as defined in Policy C-3 of the Bourse entitled "Joint Regulatory Financial Questionnaire and Report", must be calculated on a mark-to-market basis;~~

~~iii) the margin required in respect of foreign exchange positions (excluding cash balances) held in accounts of clients who are classified as other counterparties, as defined in Policy C-3 of the Bourse entitled "Joint Regulatory Financial Questionnaire and Report", which are denominated in a currency other than the currency of the account, must correspond to the aggregate of the security margin requirement and the foreign exchange margin requirement, provided that where the margin rate applicable to the security is greater than the spot risk margin rate specified in sub-paragraph 1 A) of this article, the foreign exchange margin requirement must be nil. The sum of the security margin requirement and the foreign exchange margin requirement must not exceed 100%; and~~

~~iv) listed futures contracts must be margined in the same manner as prescribed in articles 14201 and 14209.~~

**~~5) CURRENCY GROUPS~~**

**~~A) Currency Groups Criteria~~**

~~The qualitative and quantitative criteria for each currency group are as follows:~~

**~~Group 1~~**

- ~~the volatility of the currency must be below the volatility threshold specified in sub-paragraph 5 B) i) of this article; and~~
- ~~it is the primary intervention currency of the Canadian dollar.~~

**~~Group 2~~**

- ~~the volatility of the currency must be below the volatility threshold specified in sub-paragraph 5 B i) of this article; and~~
- ~~there must be a daily quoted spot rate by a Canadian Schedule 1 chartered bank, and one of the following:~~
  - ~~a daily quoted spot rate by a member of the European Monetary System and a participant in the Exchange Rate Mechanism; or~~
  - ~~a listed futures contract for the currency on a recognized exchange.~~

**~~Group 3~~**

- ~~the volatility of the currency must be below the volatility threshold specified in sub-paragraph 5 B) i) of this article;~~
- ~~there must be a daily quoted spot rate by a Canadian Schedule 1 chartered bank; and~~

~~- the currency must be of a member country of the International Monetary Fund with Article VIII status, and there are no capital payment restrictions as they relate to security transactions.~~

~~**Group 4**~~

~~- None~~

~~**B) Monitoring adherence to currency groups criteria**~~

~~The Vice-President of the Regulatory Division of the Bourse is responsible for monitoring the adherence of each group 1, 2 or 3 currency to the quantitative and qualitative criteria described in sub-paragraph 5 A) of the present article.~~

~~i) Currency Volatility~~

~~The volatility of each group 1, 2 or 3 currency must be monitored as follows:~~

~~The Canadian dollar equivalent closing price on each of the four trading days succeeding the "base day" must be compared to the base day closing price. The first of four succeeding trading days on which the percentage change in price (negative or positive) between the closing price on the succeeding day and the closing price on the base day is greater than the unhedged positions margin rate prescribed for this currency in sub-paragraph 1 A) of this article must be designated an "offside base day".~~

~~If an offside base day has been designated, this offside base day must be designated as a new base day for the purpose of making further base day closing price comparisons, as aforesaid. If the number of offside base days during any 60 trading days period is greater than 3, the currency shall be deemed to have exceeded the volatility threshold of the currency group.~~

~~ii) Qualitative Criteria~~

~~The vice-president of the Regulatory Division of the Bourse, at least on an annual basis, must assess the adherence, by each currency in a group, to the qualitative criteria of this currency group to determine whether the currency continues to satisfy the qualitative criteria of the currency group.~~

~~**C) Foreign Exchange Margin Surcharge**~~

~~If the volatility of a group 1, 2 or 3 currency exceeds the volatility threshold defined in sub-paragraph 5 B) i), then the margin rate must be increased by increments of 10% until the application of the increased margin rate results in no more than two offside base days during the preceding 60 trading days. The increased margin rate must apply for a minimum of 30 trading days and must be automatically decreased to the margin rate otherwise applicable when, after such 30 trading day period, the volatility of the currency is less than the volatility threshold defined in sub-paragraph 5 B) i) of the present article.~~

~~The vice-president of the Regulatory Division of the Bourse is responsible for determining the required increase or decrease in foreign exchange margin rates under this sub-paragraph 5 C) of this article.~~

**~~D) Currency Groups Downgrades and Upgrades~~**

~~Where:~~

~~i) the vice-president of the Regulatory Division of the Bourse determines that a particular currency no longer satisfies the criteria of this currency group, as defined in sub-paragraph 5 A) of this article; or~~

~~ii) an approved participant has provided to the vice-president of the Regulatory Division of the Bourse information demonstrating that a currency satisfies the criteria specified in sub-paragraph 5 A) of this article for a currency group other than the one for which the currency is then designated, and the vice-president of the Regulatory Division of the Bourse has verified such information to his or her satisfaction, the vice-president of the Regulatory Division of the Bourse must decide that the currency be moved to the currency group with the lower or higher margin rate, as the case may be, and notify approved participants of the change.~~

**~~E) Foreign Exchange Concentration Capital Charge~~**

~~When, in respect of any group 2, 3 or 4 currency, the aggregate of the foreign exchange margin provided under the present article on an approved participant's monetary assets and liabilities and the foreign exchange margin on client accounts exceeds 25% of the firm's net allowable assets, net of minimum capital required (as determined for the purposes of the Joint Regulatory Financial Questionnaire and Report of Policy C-3 of the Bourse), a concentration capital charge, in addition to the foreign exchange margin already provided under this article, must apply. The concentration capital charge must be equal to the amount of the foreign exchange margin provided under this article, which is in excess of 25% of the approved participant's net allowable assets, net of minimum capital required.~~

**7211 Approved Participant Accounts**
(01.04.93, 13.09.05, abr. 00.00.00)

~~1) Securities carried by approved participants and restricted trading permit holders in inventory, trading, arbitrage and joint accounts are subject to the margin requirements of this section, subject to the exceptions provided in article 7213.~~

~~2) Income tax on unrealized profit on inventory position may be deducted from the margin required on such position for a maximum deduction equal to the lesser of the income tax or the margin required.~~

**7212 Margin Calculations**
(01.04.93, abr. 00.00.00)

~~Margins may be calculated on a settlement (value) date basis.~~

**7213 Exceptions to Margin Rules**

(30.11.86, 15.12.86, 01.06.88, 01.01.92, 15.01.93, 10.05.93, 01.04.93, 25.02.94, 12.03.97, 21.12.98, 29.08.01, 18.07.03, 01.01.04, 17.05.04, 01.01.05, 13.09.05, 01.03.07, 28.09.07, abr. 00.00.00)

~~Exceptions to the margin rules are the following:~~

~~1) No margin is required in respect of:~~

~~a) securities which have been called for cash redemption, pursuant to the terms and conditions attached thereto; or~~

~~b) securities for which a legal and binding cash offer to purchase has been made in respect of which any conditions have been met.~~

~~Provided that such securities are not carried for an amount in excess of the price offered, and all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the redemption call or offer have been received and verified.~~

~~In the event that a cash offer is made for a fraction of the issued and outstanding class of securities, the above reduced margin requirements shall only apply to the same fraction of the position held in a particular account for that class of securities.~~

~~c) deposit certificates issued by a Canadian chartered bank or a trust company in Canada qualifying as an acceptable institution or an acceptable counterparty, as these terms are defined in Policy C-3 of the Bourse, and having a 24-hour call feature that would not reduce the principal amount received on redemption if applicable.~~

~~2) Margin requirements for potential liability under an underwritten rights or warrants agreement.~~

~~Where an underwriter has a commitment to purchase securities in connection with a rights or warrants offering, such commitment must be margined at the following rates:~~

~~a) if the market value of the security which can be acquired pursuant to the exercise of the rights or warrants is below the subscription price, the underwriter's commitment must be valued at the current market price for the security and the margin rates applicable to the security must be applied;~~

~~b) if the market value of the security is equal to or greater than the subscription price, the commitment must be margined at rates, calculated on the subscription price, equal to the following percentage of the margin rate applicable to the security under the present section:~~

~~50%, where market value is 100% to 105% of the subscription price;~~

~~30%, where market value is more than 105% but not more than 110% of the subscription price;~~

~~10% where market value is more than 110% but not more than 125% of the subscription price;~~

~~no margin is required where market value is more than 125% of the subscription price.~~

~~3) Securities eligible to a reduced margin rate~~

~~The margin required is 25% of the market value if such securities held by an approved participant are:~~

~~i) on the list of securities eligible to a reduced margin rate as approved by a recognized self-regulatory organization and such securities continue to trade at $2.00 or more;~~

~~ii) securities against which options issued by the Options Clearing Corporation are traded;~~

~~iii) convertible into securities that qualify under the subparagraph i) or subparagraph ii);~~

~~iv) non-convertible preferred and senior shares of an issuer any of whose securities qualify under subparagraph i); or~~

~~v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify under subparagraph i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.~~

~~For the purpose of the present paragraph 3), the Bourse and the Investment Dealers Association of Canada are designated as recognized self-regulatory organizations.~~

~~4) Whenever the Bourse decides not to open for trading any additional options of the class covering that underlying security according to article 6605, the margin rate as permitted in paragraph 3) of this article remains in force up to the expiration of the last series of options.~~

~~5) Any security which is part of a control block has no loan value for margin calculation purposes, except to the extent that the control block constitutes any or all of the securities which an approved participant has an obligation or commitment to acquire, or has acquired, under a prospectus filing. In such case, the appropriate margin requirement provided for in article 7224 applies as long as the criteria in said article have been met. For the purpose of the present paragraph, a "control block" means a sufficient number of any securities of the same issuer to affect materially the control of that issuer. In the absence of evidence to the contrary, any holding by any person, company or combination of persons or companies of more than 20% of the outstanding voting securities of an issuer is deemed to affect materially the control of that issuer.~~

~~6) Where the account of an approved participant, a market-maker or a restricted trading permit holder contains preferred shares for which the principal and dividends are unconditionally guaranteed by the Canadian government or a provincial government, the margin rate for these securities must be 25% of their market value.~~

~~7) For the purposes of this paragraph, the term "floating rate preferred share" means a special or a preferred share, for which the rate of dividend fluctuates at least quarterly, in relation with a prescribed short-term interest rate.~~

~~The margin rates applicable to floating rate preferred shares are the following ones:~~

~~i) 50% of the margin rate that applies to the related junior security of the issuer multiplied by the market value of the floating rate preferred shares;~~

~~ii) If the floating rate preferred shares are selling over par and are convertible into other securities of the issuer, the margin required must be the lesser of:~~

~~A) the sum of:~~

~~I) the effective rate determined in subparagraph i) above multiplied by par value; and~~

~~II) the excess of market value over par value;~~

~~and~~

~~B) the maximum margin requirement for a convertible security calculated pursuant to paragraph 10 of this article.~~

~~iii) 50%, if the issuer of the shares is in default of the payment of any dividend on the shares, in which case, the foregoing clauses are not applicable.~~

~~8) Consideration other than cash to be obtained following an offer~~

~~a) For the purpose of computing the margin on shares which are the subject of an offer, and in respect of which all conditions have been met, the margin required may be computed on the consideration, other than cash, that would be obtained upon acceptance of the offer. The margin rate to be used is the one prescribed in articles 7201 and following on the consideration to be obtained.~~

~~b) Where the offer is made for less than 100% of the issued and outstanding shares, the preceding principle must be applied pro rata in the same proportion as the offer.~~

~~9) Bank warrants for governments securities~~

~~The margin required on bank warrants for government securities must be 100% of the margin rate which is required in respect of the securities to which the holder of the warrant is entitled upon exercise of the warrant provided that, in the case of a long position, margin need not exceed the market value of the warrant.~~

~~For the purpose of this paragraph, bank warrants for government securities means warrants issued by a Canadian chartered bank which are listed on any recognized stock exchange or on any other listing organization referred to in paragraph 1) of article 7202, and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof.~~

~~10) Maximum Margin Required for Convertible Securities~~

~~The margin required for a security that is currently convertible or exchangeable into another security (the "underlying security") need not exceed the sum of:~~

~~i) the margin required for the underlying security; and~~

~~ii) any excess of the market value of the convertible or exchangeable security over the market value of the underlying security.~~

**7214 Discretionary Margin**
(01.04.93, 13.09.05, abr. 00.00.00)

~~The Bourse may, whenever it determines that market conditions so warrant, prescribe higher margin requirements with respect to specific listed or unlisted securities.~~

~~Without in anyway limiting the generality of the foregoing paragraph, the following are examples of higher margin requirements:~~

~~1) a provision for 100% margin on specific securities halted or suspended from trading;~~

~~2) the establishment of a fixed maximum price above which long securities positions must not be priced for margin purposes;~~

~~3) a provision for prior appropriate margin.~~

**7215 Maturity Date for Bonds with Embedded Options**
(28.04.03, abr. 00.00.00)

~~A) For the purposes of the present article:~~

~~**Callable Debt Security** means a security which allows the issuer to redeem the security at a fixed price (the call price), subject to the call protection period.~~

~~**Call Protection Period** means the period of time during which the issuer cannot redeem a callable debt security.~~

~~**Extendible Debt Security** means a security which allows the holder of the security, during a fixed time period, to extend the maturity date of the security to the extension maturity date, and to change the principal amount of the security to a fixed percentage (the extension factor) of the original principal amount.~~

~~**Extension Election Period** means the period of time during which the holder may elect to extend the maturity date and change the principal amount of an extendible debt security.~~

~~**Retractable Debt Security** means a security which allows the holder of the security, during a fixed time period, to retract the maturity date of the security to the retraction maturity date and to change the principal amount of the security to a fixed percentage (the retraction factor) of the original principal amount.~~

~~**Retraction Election Period** means the period of time during which the holder may elect to retract the maturity date and change the principal amount of a retractable debt security.~~

~~B) A callable debt security may, at the approved participant's election, be deemed to have a maturity date equal to:~~

~~i) the original maturity date, if the market price of the callable debt security is trading at or below 101% of the call price; or~~

~~ii) the first business day after the call protection period, if the market price of the callable debt security is trading above 101% of the call price.~~

~~C) An extendible debt security may, at the approved participant's election, be deemed to have a maturity date equal to:~~

~~i) the original maturity date, if the extension election period has not expired and the market value of the extendible debt security is trading at or below the extension factor multiplied by the current principal amount; or~~

~~ii) the extension maturity date, if the extension election period has not expired and the market value of the extendible debt security is trading above the extension factor multiplied by the current principal amount; or~~

~~iii) the original maturity date, if the extension election period has expired.~~

~~D) A retractable debt security may, at the approved participant's election, be deemed to have a maturity date equal to:~~

~~i) the original maturity date, if the retraction election period has not expired and the market value of the retractable debt security is trading at or above the retraction factor multiplied by the current principal amount; or~~

~~ii) the retraction maturity date, if the retraction election period has not expired and the market value of the retractable debt security is trading below the retraction factor multiplied by the current principal amount; or~~

~~iii) the original maturity date, if the retraction period has expired.~~

**7216 Margin Requirements on Options**
(01.04.93, abr. 13.09.05)

**7217 (Reserved for future use)**

**7218 (Reserved for future use)**

**7219 (Reserved for future use)**

**7220 (Reserved for future use)**

**7221 (Reserved for future use)**

**7222 (Reserved for future use)**

**7223 (Reserved for future use)**

**7224 Margin Requirements for Underwriting Commitments**
(01.06.88, 19.08.93, 01.03.05, abr. 00.00.00)

~~a) In the present article, the expression:~~

~~i) “appropriate documentation” with respect to the portion of the underwriting commitment where expressions of interest have been received from exempt purchasers means, at a minimum:~~

~~A) that the lead manager has a record of the final affirmed exempt purchaser allocation indicating for each expression of interest:~~

~~I) the name of the exempt purchaser;~~

~~II) the name of the employee of the exempt purchaser accepting the amount allocated;~~

~~III) the name of the representative of the lead underwriter responsible for affirming the amount allocated to the exempt purchaser; and~~

~~IV) the date and time of the affirmation,~~

~~and~~

~~B) that the lead manager has notified in writing all the banking group participants when the entire allotment to exempt purchasers has been affirmed pursuant to paragraph A) above so that all banking group participants may take advantage of the reduction in the capital requirement.~~

~~Under no circumstances may the lead manager reduce its own capital requirement on an underwriting commitment due to such expressions of interest from exempt purchasers without providing notification to the rest of the banking group.~~

~~ii) a “commitment” pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities means, where all other non-pricing agreement terms have been agreed to, where two of the following three pricing terms have been agreed to:~~

~~A) issue price;~~

~~B) number of shares;~~

~~C) commitment amount [issue price x number of shares].~~

~~iii) "disaster out clause" means a provision in an underwriting agreement substantially in the following form:~~

~~“The obligations of the underwriter (or any of them) to purchase the securities under this agreement may be terminated by the underwriter (or any of them) at its option by written notice to that effect to the issuer at any time prior to the closing if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of~~

~~national or international consequence or any law or regulation which, in the opinion of the underwriter, seriously affects adversely, or involves, or will seriously affect adversely, or involve, the financial markets or the business, operations or affairs of the issuer and its subsidiaries taken as a whole".~~

~~iv) "exempt purchasers" means all persons with whom the issuer could, pursuant to applicable securities laws, proceed with the sales of securities without having the obligation to produce a prospectus if such sales were made exclusively to these persons.~~

~~v) "market out clause" means a provision in an underwriting agreement which permits an underwriter to terminate its commitment to purchase in the event of unsaleability due to market conditions, substantially in the following form:~~

~~"If, after the date hereof and prior to the time of closing, the state of financial markets in Canada or elsewhere where it is planned to market the securities is such that, in the reasonable opinion of the underwriters (or any of them), the securities cannot be marketed profitably, any underwriter must be entitled, at its option, to terminate its obligations under this agreement by notice to that effect given to the issuer at or prior to the time of closing".~~

~~vi) "new issue letter" means an underwriting loan facility in a form satisfactory to the Bourse. Where the provider of the new issue letter is other than an acceptable institution, the funds that can be drawn pursuant to the letter must either be fully collateralized by high-grade securities or held in escrow with an acceptable institution.~~

~~Under the terms of the new issue letter, the letter issuer must:~~

~~A) provide an irrevocable commitment to advance funds based only on the strength of the new issue and the approved participant;~~

~~B) advance funds to the approved participant for any portion of the commitment not sold:~~

~~I) for an amount based on a stated loan value rate;~~

~~II) at a stated interest rate; and~~

~~III) for a stated period of time,~~

~~and~~

~~C) under no circumstances, in the event that the approved participant is unable to repay the loan at the termination date, resulting in a loss or potential loss to the letter issuer, have or seek any right of set-off against:~~

~~I) collateral held by the letter issuer for any other obligations of the approved participant or the approved participant's clients;~~

~~II) cash on deposit with the letter issuer for any purpose whatsoever; or~~

~~III) securities or other assets held in a custodial capacity by the letter issuer for the approved participant either for its own account or for the approved participant's clients,~~

~~in order to recover the loss or potential loss.~~

~~vii) "normal margin" means margin otherwise required by the Rules.~~

~~viii) "normal new issue margin" means:~~

~~A) where the market value of the security is $2.00 per share or more and the security qualifies for a reduced margin rate pursuant to paragraph 3 of article 7213, 60% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on; or~~

~~B) where the market value of the security is $2.00 per share or more and the security does not qualify for a reduced margin rate pursuant to paragraph 3 or article 7213, 80% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on; or~~

~~C) where the market value of the security is less than $2.00 per share, 100% of normal margin.~~

~~b) Where an approved participant has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities, the following margin rates are prescribed:~~

~~**i) without new issue letter:**~~

~~A) in the case where the underwriting agreement includes neither a disaster out clause nor a market out clause:~~

~~normal new issue margin from the date of commitment;~~

~~B) in the case where the underwriting agreement includes a disaster out clause:~~

~~50% of normal new issue margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier. Thereafter margin as required in A) above applies;~~

~~C) in the case where the underwriting agreement includes a market out clause:~~

~~10% of normal new issue margin from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A) above applies;~~

~~D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:~~

~~- 10% of normal new issue margin from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A), B) and C) above applies.~~

~~**ii) with new issue letter:**~~

~~A) in the case where the underwriting agreement includes neither a disaster out clause nor a market out clause:~~

~~- 10% of normal new issue margin from the date of the letter to the business day prior to settlement date or when the new issue letter expires, whichever is earlier;~~

~~- 10% of normal new issue margin from settlement date to 5 business days after settlement date or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;~~

~~- 25% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;~~

~~- 50% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;~~

~~- 75% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn;~~

~~- otherwise, the normal new issue margin is required;~~

~~B) in the case where the underwriting agreement includes a disaster out clause:~~

~~- 10% of normal new issue margin from the date of the commitment until the settlement date or the expiry of the disaster out clause, whichever is earlier. Thereafter margin as required in A) above applies;~~

~~C) in the case where the underwriting agreement includes a market out clause:~~

~~- 5% of normal new issue margin from the date of commitment until the settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A) above applies;~~

~~D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:~~

~~- 5% of normal new issue margin from the date of commitment until the settlement date or the expiry of the market out clause, whichever is earlier. Thereafter margin as required in A), B) and C) above applies.~~

~~If the margin rates prescribed above in respect of commitments for which a new issue letter is available are less than the margin rates required by the issuer of such letter, the higher rates required by the issuer must be applied.~~

~~c) Where an approved participant has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities and the approved participant has determined through obtaining appropriate documentation:~~

~~I) that the allocation between retail and exempt purchasers has been finalized;~~

~~II) that expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed;~~

~~III) that there is unlikely to be a significant renege rate on the expressions of interest received from exempt purchasers; and~~

~~IV) that the approved participant is not significantly leveraging its underwriting activities through the use of the capital requirement reduction provided on that portion of the underwriting commitment where expressions of interest have been received from exempt purchasers.~~

~~The following margin rates must be applied for the portion of the commitment allocated to exempt purchasers:~~

~~**i) without new issue letter:**~~

~~A) in the case where the underwriting agreement includes neither a market out clause nor a disaster out clause:~~

~~From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted:~~

~~20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares);~~

~~40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value;~~

~~otherwise, normal new issue margin is required;~~

~~B) in the case where the underwriting agreement includes a disaster out clause:~~

~~from the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted:~~

~~20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares);~~

~~40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value;~~

~~otherwise normal new issue margin is required;~~

~~C) in the case where the underwriting agreement includes a market out clause:~~

~~margin required is the one prescribed in paragraph b) i) C) above;~~

~~D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:~~

~~margin required is the one prescribed in paragraph b) i) D) above.~~

~~**ii) with new issue letter:**~~

~~A) in the case where the underwriting agreement includes neither a disaster out clause nor a market out clause:~~

~~margin required is the one prescribed in paragraph b) ii) A) above;~~

~~B) in the case where the underwriting agreement includes a disaster out clause:~~

~~margin required is the one prescribed in paragraph b) ii) B) above;~~

~~C) in the case where the underwriting agreement includes a market out clause:~~

~~margin required is the one prescribed in paragraph b) ii) C) above;~~

~~D) in the case where the underwriting agreement includes a disaster out clause and a market out clause:~~

~~margin required is the one prescribed in paragraph b) ii) D) above.~~

~~d) Concentration~~

~~Where the normal new issue margin required is reduced by a new issue letter or by a qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted, the approved participant must determine if there is any concentration by doing the calculations prescribed in the Joint Regulatory Financial Questionnaire and Report.~~

~~e) In determining the amount of an approved participant's commitment pursuant to an underwriting agreement or banking group agreement for the purposes of paragraphs b), c) and d) above, receivables from members of the banking or selling groups in respect of their obligations to take down a portion of a new issue of securities may be deducted from the liability of the approved participant to the issuer.~~

**7225 (Reserved for future use)**

**7226 Margin on Swaps**
(01.05.92, 01.04.93, 01.01.04, 13.09.05, 08.09.08, abr. 00.00.00)

~~**A) Interest Rate Swaps**~~

~~For the purposes of the present article, a "fixed interest rate" is an interest rate which is not reset at least every 90 days and a "floating interest rate" is an interest rate which is not a fixed interest rate. On interest rate swap agreements where payments are calculated with reference to a notional amount, the obligation to pay and the entitlement to receive must each be margined as separate components as follows:~~

~~i) where a component is a payment calculated according to a fixed interest rate, the margin required must be the margin rate specified in article 7204 - Group I for a security with the same term to maturity as the outstanding term of the swap, multiplied by 125% and in turn multiplied by the notional amount of the swap;~~

~~ii) where a component is a payment calculated according to a floating interest rate, the margin required must be the margin rate specified in article 7204 - Group I for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.~~

~~The counterparty to the interest rate swap agreement must be considered to be the approved participant's client. No margin is required in respect of an interest rate swap entered into with a client which is an acceptable institution. The margin requirement for clients which are acceptable counterparties or regulated entities must be any market value deficiency calculated relating to the interest rate swap agreement. The margin requirement for clients which are other counterparties shall be any loan value deficiency calculated relating to the interest rate swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses (i) and (ii) above.~~

~~**B) Total Performance Swaps**~~

~~On total performance swap agreements, the obligation to pay and the entitlement to receive must each be margined as separate components as follows:~~

~~i) where a component is a payment calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount, the margin requirement must be the normal margin required for the underlying security or basket of securities relating to this component, based on the market value of the underlying security or basket of securities;~~

~~ii) where a component is a payment calculated according to a floating interest rate, the margin required must be the margin rate specified in article 7204 -Group I for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.~~

~~The counterparty to the total performance swap agreement must be considered the approved participant's client. No margin is required in respect of a total performance swap entered into with a~~

~~client which is an acceptable institution. The margin requirement for clients which are acceptable counterparties or regulated entities must be any market value deficiency calculated relating to the total performance swap agreement. The margin requirement for clients which are other counterparties must be any loan value deficiency calculated relating to the total performance swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses i) and ii) above.~~

**7226A Swap Positions Offsets**
(01.01.04, abr. 00.00.00)

~~For the purposes of the present article, a "fixed interest rate" is an interest rate which is not reset at least every 90 days, a "floating interest rate" is an interest rate which is not a fixed interest rate and a "realization clause" is an optional clause within a total performance swap agreement which allows the approved participant to close out the swap agreement at the realization price (either the buy-in or sell-out price) of the security position involved in the offset.~~

~~**A) Interest Rate Swap Versus Interest Rate Swap Offset**~~

~~Where an approved participant~~

~~i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed or floating interest rate amounts calculated with reference to a notional amount, and~~

~~ii) is a party to another offsetting interest rate swap agreement entitling it to receive (or requiring it to pay) fixed or floating interest rate amounts calculated with reference to the same notional amount denominated in the same currency and is within the same maturity band for margin purposes as the interest rate swap referred to in i),~~

~~the margin required in respect of the positions in i) and ii) may be netted, provided that margin on fixed interest rate component payment (or receipt) positions may only be offset against margin on fixed interest rate component receipt (or payment) positions, and margin on floating interest rate component payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions.~~

~~**B) Fixed Interest Rate Swap Component and Securities Position Offset**~~

~~Where an approved participant~~

~~i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed interest rate amounts calculated with reference to a notional amount, and~~

~~ii) holds a long (or short) position in securities described in article 7204 - Group I with a principal amount equal to and denominated in the same currency as the notional amount of the interest rate swap and with a term to maturity that is within the same maturity band for margin purposes as the interest rate swap,~~

~~the margin required in respect of the positions in i) and ii) may be netted.~~

**~~C) Floating Interest Rate Swap Component and Securities Position Offset~~**

~~Where an approved participant~~

~~i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar floating interest rate amounts calculated with reference to a notional amount, and~~

~~ii) holds a long (or short) position in securities described in articles 7204 - Group I or 7205, maturing within one year with a principal amount equal to and denominated in the same currency as the notional amount of the swap,~~

~~the margin required in respect of the positions in i) and ii) may be netted.~~

**~~D) Total Performance Swap versus Total Performance Swap offset~~**

~~Where an approved participant~~

~~i) is a party to a total performance swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount; and~~

~~ii) is a party to another total performance swap agreement entitling it to receive (or requiring it to pay) amounts calculated based on the performance of the same underlying security or basket of securities, with reference to the same notional amount and denominated in the same currency;~~

~~the margin required in respect of the position in i) and ii) may be netted, provided that margin on performance component payment (or receipt) positions may only be offset against margin on performance component receipt (or payment) positions, and margin on floating interest rate component payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions.~~

**~~E) Total Performance Swap Component and Securities Position Offset~~**

~~i) Short Total Performance Swap Component and Long Underlying Security or Basket of Securities~~

~~Where an approved participant~~

~~a) is a party to a total performance swap agreement requiring it to pay amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount; and~~

~~b) holds long an equivalent quantity of the same underlying security or basket of securities;~~

~~the capital required in respect of the position described in a) and b) must be either:~~

~~c) nil, where it can be demonstrated that the sell-out risk relating to the offset has been mitigated:~~

~~I) through the inclusion of a realization clause in the total performance swap agreement, which allows the approved participant to close out the swap agreement using the sell-out price(s) for the long position in the underlying security or basket of securities; or~~

~~II) since, due to the features inherent in the long position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the long position in the underlying security or basket of securities is determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap;~~

~~or~~

~~d) 20% of the normal capital required on the long position in the underlying security or basket of securities where the sell-out risk relating to the offset has not been mitigated.~~

~~ii) Long Total Performance Swap Component and Short Underlying Security or Basket of Securities~~

~~Where an approved participant~~

~~a) is a party to a total performance swap agreement entitling it to receive amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount; and~~

~~b) holds short an equivalent quantity of the same underlying security or basket of securities;~~

~~the capital required in respect of the positions described in a) and b) must be:~~

~~c) nil, where it can be demonstrated that the buy-in risk relating to the offset has been mitigated:~~

~~I) through the inclusion of a realization clause in the total performance swap agreement which allows the approved participant to close out the swap agreement using the buy-in price(s) for the short position in the underlying security or basket of securities; or~~

~~II) since, due to the features inherent in the short position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the short position in the underlying security or basket of securities is determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap.~~

~~or~~

~~d) 20% of the normal capital required on the short position in the underlying security or basket of securities where the buy-in risk relating to the offset has not been mitigated.~~

**7227 Margin Offsets on Convertible Securities**
(01.01.04, abr. 00.00.00)

~~1) For the purpose of the present article:~~

~~a) "conversion loss" means any excess of the market value of the convertible securities over the market value of the equivalent number of underlying securities;~~

~~b) "convertible security" means a convertible security, exchangeable security or any other security that entitles the holder to acquire another security, the underlying security, upon exercising a conversion or exchange feature;~~

~~c) "currently convertible" means a security that is either:~~

~~A) convertible into another security, the underlying security, either currently or within 20 business days, provided all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received; or~~

~~B) convertible into another security, the underlying security, after the expiry of a specific period, and the approved participant or client has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the approved participant or client to borrow the underlying securities for the entire period from the current date until the expiry of the specific period until conversion;~~

~~d) "Newco securities" means securities of a successor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction;~~

~~e) "Oldco securities" means securities of a predecessor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction;~~

~~f) "underlying security" means the security, which is received upon exercising the conversion or exchange feature of a convertible security.~~

~~2) Long convertible securities considered "currently convertible" and short underlying securities~~

~~Where convertible securities are held long in an account and such securities are currently convertible and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the conversion loss, if any; and~~

~~ii) where the convertible security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.~~

~~3) Long convertible securities not considered "currently convertible" and short underlying securities~~

~~Where convertible securities are held in an account and such securities are not currently convertible and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the conversion loss, if any; and~~

~~ii) 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities, to cover the sell-out risk associated with holding convertible securities not considered to be "currently convertible"; and~~

~~iii) where the convertible security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.~~

~~4) Short convertible securities and long underlying securities~~

~~Where convertible securities are held short in an account and the account is also long an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) the conversion loss, if any; and~~

~~ii) 40% of the normal capital required (margin required in the case of client account positions) on the underlying securities.~~

~~5) Long "Oldco securities" and short "Newco securities" relating to an amalgamation, acquisition, spin-off or any other securities related reorganization transaction~~

~~i) Where, pursuant to a securities related reorganization involving predecessor and successor issuers, Oldco securities are held long in an account, the account is also short an equivalent number of Newco securities, and the conditions set out in sub-paragraph ii) are met, the capital and margin requirements for approved participant and client account positions, respectively, must be the excess of the combined market value of the Oldco securities over the combined market value of the Newco securities, if any.~~

~~ii) The offset described in subparagraph i) above may be taken where all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received and where the Oldco securities will be cancelled and replaced by an equivalent number of Newco securities within 20 business days.~~

**7228 Margin Offsets on Exercisable Securities**

(01.01.04, abr. 00.00.00)

~~1) For the purpose of the present article:~~

~~a) "exercise loss" means any excess of combined sum of the market value of the exercisable securities and the exercise or subscription payment, over the market value of the equivalent number of underlying securities;~~

~~b) "exercisable security" means a warrant, right, instalment receipt or any other security that entitles the holder to acquire another security, the underlying security, upon making an exercise or subscription payment;~~

~~c) "currently exercisable" means a security that is either:~~

~~A) exercisable into another security, the underlying security, either currently or within 20 business days, provided all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with exercising have been received; or~~

~~B) exercisable into another security, the underlying security, on a future date, and the approved participant or client has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the approved participant or client to borrow the underlying securities for the entire period from the current date until the exercise or subscription date;~~

~~d) "underlying security" means the security, which is received upon invoking the exercise feature of an exercisable security.~~

~~2) Long exercisable securities considered "currently exercisable" and short underlying securities~~

~~Where exercisable securities are held long in an account and such securities are currently exercisable and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) in the case of client account positions, the amount of the exercise or subscription payment; and~~

~~ii) the exercise loss, if any; and~~

~~iii) where the exercisable security cannot be exercised directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.~~

~~3) Long exercisable securities not considered "currently exercisable" and short underlying securities~~

~~Where exercisable securities are held long in an account and such securities are not currently exercisable and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) in the case of client account positions, the amount of the exercise or subscription payment; and~~

~~ii) the exercise loss, if any; and~~

~~iii) 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities, to cover the sell-out risk associated with holding exercisable securities not considered to be "currently exercisable"; and~~

~~iv) where the exercisable security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of client account positions) on the underlying securities.~~

~~4) Short exercisable securities and long underlying securities~~

~~Where exercisable securities are held short in an account and the account is also long an equivalent number of underlying securities, the capital and margin requirements, for approved participant and client account positions respectively, must be equal to the sum of:~~

~~i) in the case of client account positions, the amount of the exercise or subscription payment; and~~

~~ii) the exercise loss, if any; and~~

~~iii) 40% of the normal capital required (margin required in the case of client account positions) on the underlying securities.~~

**RULE NINE**
**MARGIN AND CAPITAL REQUIREMENTS**
**FOR OPTIONS, FUTURES CONTRACTS AND**
**OTHER DERIVATIVE INSTRUMENTS**

**Section 9001 – 9100**
**General Provisions**

**9001 Definitions**
(01.01.05, 01.02.07, 00.00.00)

For the purpose of the present Rule:

a) "**approved participant account**" means all non-client accounts including firm accounts, market maker accounts, restricted trading permit holder accounts for which a clearing approved participant has issued a letter of guarantee and sponsor accounts;

b) "**client account**" means an account for a client of an approved participant, but does not include account in which a member of a self-regulatory organization, or a related firm, approved person or employee of such an approved participant, member or related firm, as the case may be, has a direct or indirect interest, other than an interest in a commission charged;

c) "**escrow receipt**" means:

i) in the case of an equity, exchange-traded fund or income trust~~participation~~ unit or bond option, a document issued by a financial institution approved by the Canadian Derivatives Clearing Corporation certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified option of a particular client of an approved participant; or

ii) in the case of an OCC option, a document issued by a depository approved by the clearing corporation, after executing and delivering agreements required by The Options Clearing Corporation, certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified OCC option of a particular client of an approved participant;

d) "**firm account**" means an account established by an approved participant, which is confined to positions carried by the approved participant on its own behalf;

e) "**floating margin rate**" means:

i) the last calculated regulatory margin interval, effective for the regular reset period or until a violation occurs, such rate to be reset on the regular reset date, to the calculated regulatory margin interval determined at that date; or

ii) where a violation has occurred, the last calculated regulatory margin interval determined at the date of the violation, effective for a minimum of twenty trading days, such rate to be reset at the close of the twentieth trading day, to the calculated regulatory margin interval determined at that date, where a reset results in a lower margin rate.

For the purposes of this definition, the term "regular reset date" is the date subsequent to the last reset date where the maximum number of trading days in the regular reset period has passed.

For the purposes of this definition, the term "regular reset period" is the normal period between margin rate resets. This period must be determined by the Canadian self-regulatory organizations with member regulation responsibilities and must not be no longer than sixty trading days.

For the purpose of this definition, the term "regulatory margin interval", when calculated, means the product of:

i) the maximum standard deviation of percentage changes in daily closing prices over the most recent 20, 90 and 260 trading days; and

ii) 3 (for a 99% confidence interval); and

iii) the square root of 2 (for two days coverage);

rounded up to the next quarter percent.

For the purpose of this definition, the term "violation" means the circumstance where the maximum 1 or 2 day percentage change in the daily closing prices is greater than the margin rate;

~~f) "**incremental basket margin rate**" means for a qualifying basket of index securities:~~

~~i) 100%, less the cumulative relative weight percentage (determined by calculating for each security the actual basket weighting in relation to the latest published relative weighting in the index and then determining an overall relative weight percentage) for the qualifying basket of index securities; multiplied by~~

~~ii) the weighted average margin rate for those equity securities comprising the basket for which the actual weighting is less than the latest published relative weight for the index (weighted by the percentage weighting deficiency for each security (i.e., the published relative weighting minus the actual weighting, if applicable));~~

f~~g~~) "**index**" means an equity index where:

i) the basket of equity securities underlying the index is comprised of eight or more securities;

ii) the weight of the single largest security position in the basket of equity securities underlying the index represents no more than 35% of the overall market value of the basket;

iii) the average market capitalization for each security position in the basket of equity securities underlying the index is at least $50 million; and

iv) in the case of foreign equity indices, the index is both listed and traded on an exchange that meets the criteria for being considered a recognized exchange as set out in the definition of "regulated entities" included in the General Notes and Definitions of the ''Joint Regulatory Financial Questionnaire and Report'' form of the Investment Industry Regulatory Organization of Canada;~~to Policy C-3 of the Bourse;~~

g~~h~~) "**market maker account**" means a firm account of an approved participant that is confined to transactions initiated by a market maker;

h~~i~~) "**non-client account**" means an account established with an approved participant by another member of a self-regulatory organization, ~~or~~a related firm, an approved person or employee of an approved participant~~,~~ or of a member of self-regulatory organization or of a related firm, as the case may be, in which the approved participant does not have an interest, direct or indirect, other than an interest in fees or commissions charged;

i~~j~~) "**OCC option**" means a call option or a put option issued by The Options Clearing Corporation;

~~k) "**participation unit**" means a unit of beneficial interest in the assets of a fund established under a trust agreement, the underlying asset of which are equities or other securities;~~

~~l) "**qualifying basket of index securities**" means a basket of equity securities:~~

~~i) all of which are included in the composition of the same index;~~

~~ii) which comprises a portfolio with a market value equal to the market value of the securities underlying the index;~~

~~iii) where the market value of each of the equity securities comprising the portfolio proportionally equals or exceeds the market value of its relative weight in the index, based on the latest published relative weights of securities comprising the index;~~

~~iv) where the required cumulative relative weighting percentage of all equity securities comprising the portfolio:~~

~~A) equals 100% of the cumulative weighting of the corresponding index, where the basket of equity securities underlying the index is comprised of less than twenty securities;~~

~~B) equals or exceeds 90% of the cumulative weighting of the corresponding index, where the basket of equity securities underlying the index is comprised of twenty or more securities but less than one hundred securities; and~~

~~C) equals or exceeds 80% of the cumulative weighting of the corresponding index, where the basket of equity securities underlying the index is comprised of one hundred or more securities;~~

~~based on the latest published relative weightings of the equity securities comprising the index;~~

~~v) where, in the circumstance where the cumulative relative weighting of all equity securities comprising the portfolio equals or exceeds the required cumulative relative weighting percentage and is less than 100% of the cumulative weighting of the corresponding index, the deficiency in the basket is filled by other equity securities included in the composition of the index;~~

j~~m~~) "**tracking error margin rate**" means the last calculated regulatory margin interval for the tracking error resulting from a particular offset strategy. The method of calculation and the margin rate policy is the same as that used for the floating margin rate.

**9002 Risk Margining Systems**
(01.01.05)

a) With respect to an approved participant account constituted exclusively of positions in derivative instruments listed -on the Bourse, the capital required may be the one calculated, as the case may be, by the Standard Portfolio Analysis (SPAN) methodology or by the Theoretical Intermarket Margin System (TIMS) methodology, using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation. All changes to the assumptions used by the Canadian Derivatives Clearing Corporation must be approved by the Bourse prior to implementation to ensure that the continued use of SPAN and TIMS methodologies for regulatory purposes is appropriate.

The selected methodology (either SPAN or TIMS) must be used consistently and cannot be changed without the prior consent of the Bourse. If the approved participant selects the SPAN methodology or the TIMS methodology, the capital requirements calculated under those methodologies will supersede the provisions stipulated in the Rules.

For the purpose of the present article, “margin interval” means the product of the three following elements:

i) the maximum standard deviation of percentage fluctuations in daily settlement values over the most recent 20, 90 and 260 business days; multiplied by

ii) 3 (for a 99% confidence interval); and multiplied by

iii) the square root of 2 (for two days coverage).

b) With respect to a client account, it is prohibited to use SPAN methodology or TIMS methodology to determine margin requirements.

**9003 Inter-Commodity Combinations**
(01.01.05, 01.02.07)

Unless otherwise specified, offsets are not permitted for positions in client accounts or approved participant accounts involving derivative instruments based on two different underlying interests.

## Section 9101 – 9200
## Margin Requirements on Equity-Related Derivatives

### 9101 Exchange Traded Options – General Provisions
(01.01.05, abr. 00.00.00)

~~a) The Bourse shall establish margin requirements applicable to options positions held by clients and no approved participant shall effect an option transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;~~

~~b) all opening selling transactions and resulting short positions must be carried in a margin account;~~

~~c) each option must be margined separately and any difference between the market price or the current value of the underlying interest and the exercise price of the option must be considered to be of value only in providing the amount of margin required on that particular option;~~

~~d) where a client account holds both CDCC options and OCC options that have the same underlying interest, the OCC options may be considered to be options for the purposes of the calculation of the margin requirements for the account under the provisions of this section;~~

~~e) from time to time the Bourse may impose special margin requirements with respect to particular options or particular positions in options.~~

### 9102 Long Option Positions
(01.01.05, abr. 00.00.00)

~~a) Subject to paragraph b), the margin requirement for long options must be the sum of:~~

~~i) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and~~

~~ii) the lesser of:~~

~~A) the normal margin required on the underlying interest; or~~

~~B) if any, the in-the-money value associated with the option.~~

~~For the purpose of the present article, "the option's time value" means any excess of the market value of the option over the in-the-money value of the option.~~

~~b) where, in the case of equity options, the underlying security in respect of a long call option is the subject of a legal and binding cash take-over bid for which all conditions have been met, the margin required on such call option must be the market value of the call option, less the amount by which the amount offered exceeds the exercise price of the call option. Where such a take-over bid is made for less than 100% of the issued and outstanding securities, the margin requirement must be applied pro-rata in the same proportion as the offer and paragraph a) must apply to the balance.~~

**9103 Short Option Positions**
(01.01.05, 01.02.07, abr. 00.00.00)

~~a) The minimum margin requirement which must be maintained in respect of an option carried short in a client account must be:~~

~~i) 100% of the market value of the option; plus~~

~~ii) a percentage of the market value of the underlying interest determined using the following percentages:~~

~~A) for equity options or equity participation unit options, the margin rate applicable to the underlying interest;~~

~~B) for index options or index participation unit options, the published floating margin rate for the index or index participation unit;~~

~~minus~~

~~iii) any out-of-the-money amount associated with the option;~~

~~b) paragraph a) notwithstanding, the minimum margin requirement which must be maintained and carried in a client account trading in options must not be less than:~~

~~i) 100% of the market value of the option; plus~~

~~ii) an additional requirement determined by multiplying:~~

~~A) in the case of a short call option, the market value of the underlying interest; or~~

~~B) in the case of a short put option, the aggregate exercise value of the option;~~

~~by one of the following percentages:~~

~~C) for equity options or equity participation unit options, 5%; or~~

~~D) for index options or index participation unit options, 2%.~~

**9104 Covered Option Positions**
(01.01.05, abr. 00.00.00)

~~a) No margin is required for a call option carried short in a client's account which is covered by the deposit of an escrow receipt. The underlying interest deposited in respect of such option shall not be deemed to have any value for margin purposes.~~

~~Evidence of a deposit of the underlying interest shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse. The issuer of~~

~~the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;~~

~~b) no margin is required for a put option carried short in a client's account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the client. The acceptable government securities held on deposit:~~

~~i) must be government securities:~~

~~A) which are acceptable forms of margin for the clearing corporation; and~~

~~B) which mature within one year of their deposit, and~~

~~ii) shall not be deemed to have any value for margin purposes.~~

~~The aggregate exercise value of the short put option must not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and~~

~~c) no margin is required for a put option carried short in a client's account if the client has delivered to the approved participant with which such position is maintained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:~~

~~i) a bank which is a Canadian chartered bank or a Quebec savings bank; or~~

~~ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of $5,000,000,~~

~~provided that the letter of guarantee certifies that the bank or trust company,~~

~~iii) holds on deposit for the account of the client cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying interest covered by the put option; or~~

~~iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying interest covered by the put option;~~

~~and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.~~

**9105 Options Spreads and Combinations**
(01.01.05, 01.02.07, 13.08.07, abr. 00.00.00)

~~**a) Call spreads and put spreads**~~

~~Where a client account contains one of the following spread pairings for an equivalent number of trading units on the same underlying interest:~~

- ~~long call option and short call option; or~~
- ~~long put option and short put option;~~

~~and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread pairing must be the lesser of:~~

~~i) the margin required on the short option pursuant to article 9103; or~~

~~ii) the spread loss amount, if any, that would result if both options were exercised.~~

~~**b) Short call – short put spreads**~~

~~Where a call option is carried short for a client's account and the account is also short a put option on the same number of units of trading on the same underlying interest, the minimum margin required must be the greater of:~~

~~i) the greater of:~~

~~A) the margin required on the call option; or~~

~~B) the margin required on the put option;~~

~~and~~

~~ii) the excess of the aggregate exercise value of the put option over the aggregate exercise value of the call option.~~

~~**c) Long call – long put spreads**~~

~~Where a call option is carried long for a client's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum margin required must be the lesser of:~~

~~i) the sum of:~~

~~A) the margin required for the call option; and~~

~~B) the margin required for the put option;~~

~~and~~

~~ii) the sum of:~~

~~A) 100% of the market value of the call option; plus~~

~~B) 100% of the market value of the put option; minus~~

~~C) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option.~~

**~~d) Long call – short call – long put~~**

~~Where a call option is carried long for a client's account and the account is also short a call option and long a put option on the same number of units of trading on the same underlying interest, the minimum margin required must be:~~

~~i) 100% of the market value of the long call option; plus~~

~~ii) 100% of the market value of the long put option; minus~~

~~iii) 100% of the market value of the short call option; plus~~

~~iv) the greater of:~~

~~A) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the short call option; or~~

~~B) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the long put option.~~

~~Where the amount calculated in iv) is negative, this amount may be applied against the margin charge.~~

**~~e) Short call – long warrant~~**

~~Where a call option is carried short for a client's account and the account is also long a warrant on the same number of units of trading on the same underlying interest, the minimum margin required must be the sum of:~~

~~i) the lesser of:~~

~~A) the margin required for the call option; or~~

~~B) the spread loss amount, if any, that would result if both the option and the warrant were exercised;~~

~~and~~

~~ii) the excess of the market value of the warrant over the in-the-money value of the warrant multiplied by 25%; and~~

~~iii) the in-the-money value of the warrant, multiplied by:~~

~~A) 50%, where the expiration date of the warrant is 9 months or more away; or~~

~~B) 100%, where the expiration date of the warrant is less than 9 months away.~~

~~The market value of the short call option may be used to reduce the margin required on the long warrant, but cannot reduce the margin required to less than zero.~~

**9106 Option and Security Combinations**
(01.01.05, 01.02.07, abr. 00.00.00)

~~**a) Short call – long underlying (or convertible) combination**~~

~~Where, in the case of equity or equity participation unit options, a call option is carried short in a client's account and the account is also long an equivalent position in the underlying interest or, in the case of equity options in a security readily convertible or exchangeable (without restrictions other than the payment of consideration and within a reasonable time provided such time must be prior to the expiration of the call option) into the underlying interest, or in the case of equity participation unit options in securities readily exchangeable into the underlying interest, the minimum margin required must be the sum of:~~

~~i) the lesser of~~

~~A) the normal margin required on the underlying interest; and~~

~~B) any excess of the aggregate exercise value of the call options over the normal loan value of the underlying interest;~~

~~and~~

~~ii) where a convertible security or exchangeable security is held, any excess of the market value of the convertible or exchangeable security over the market value of the equivalent number of underlying securities.~~

~~In the case of exchangeable or convertible securities, the right to exchange or convert the long security must not expire prior to the expiration date of the short call option. If the expiration of the right to exchange or convert is accelerated (whether by reason of redemption or otherwise), then such short call option must be considered uncovered after the date on which such right to exchange or convert expires.~~

~~**b) Short put – short underlying combination**~~

~~Where, in the case of equity or equity participation unit options, a put option is carried short in a client's account and the account is also short an equivalent position in the underlying interest, the minimum margin required must be the lesser of:~~

~~i) the normal margin required on the underlying interest; and~~

~~ii) any excess of the normal credit required on the underlying interest over the aggregate exercise value of the put option.~~

~~**c) Long call – short underlying combination**~~

~~Where, in the case of equity or equity participation unit options, a call option is carried long in a client's account and the account is also short an equivalent position in the underlying interest, the minimum margin required must be the sum of:~~

~~i) 100% of the market value of the call option; and~~

~~ii) the lesser of:~~

~~A) the aggregate exercise value of the call option; and~~

~~B) the normal credit required on the underlying interest.~~

**~~d) Long put – long underlying combination~~**

~~Where, in the case of equity or equity participation unit options, a put option is carried long in a client's account and the account is also long an equivalent position in the underlying interest, the minimum margin required must be the lesser of:~~

~~i) the normal margin required on the underlying interest; and~~

~~ii) the excess of the combined market value of the underlying interest and the put option over the aggregate exercise value of the put option.~~

**~~e) Conversion or long tripo combination~~**

~~Where, in the case of equity or equity participation unit options, a position in an underlying interest is carried long in a client's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum margin required must be:~~

~~i) 100% of the market value of the long put options; minus~~

~~ii) 100% of the market value of the short call options; plus~~

~~iii) the difference, plus or minus, between the market value of the underlying interest and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options.~~

**~~f) Reconversion or short tripo combination~~**

~~Where, in the case of equity or equity participation unit options, a position in an underlying interest is carried short in a client's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum margin required must be:~~

~~i) 100% of the market value of the long call options; minus~~

~~ii) 100% of the market value of the short put options; plus~~

~~iii) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the underlying interest, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.~~

**9107 Option Spreads Involving Complex Strategies**
(01.01.05, 13.08.07, abr. 00.00.00)

~~In addition to the option spreads permitted in article 9105, the following additional option spread strategies are available for positions in options:~~

~~**a) Box spread**~~

~~Where a client account contains a box spread combination on the same underlying interest with all options expiring at the same time such that the client holds a long and short call option and a long and short put option and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum margin required must be the lesser of:~~

~~i) the greater of the margin requirements calculated for the component call and put spreads (paragraph a) of article 9105); and~~

~~ii) the greater of the out-of-money amounts calculated for the component call and put spreads.~~

~~**b) Long butterfly spread**~~

~~Where a client account contains a long butterfly spread combination on the same underlying interest with all options expiring at the same time such that the client holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having respectively a lower and higher strike price, and the interval between the strike prices is equal, the minimum margin required must be the net market value of the short and long call options (or put options).~~

~~**c) Short butterfly spread**~~

~~Where a client account contains a short butterfly spread combination on the same underlying interest with all options expiring at the same time such that the client holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having respectively a lower and higher strike price, and the interval between the strike prices is equal, the minimum margin required must be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options). The market value of any premium credit carried on the short options may be used to reduce the margin required.~~

~~**d) Long Condor Spread**~~

~~Where a client account contains a long condor spread combination on the same underlying interest with all options expiring at the same time, such that the client holds four separate option series wherein the exercise prices of the options are in ascending order and the interval between the strike prices is equal, comprising a short position in two call options (or put options) and the short call options (or short put options) are flanked on either side by a long call option (or long put option) having respectively a lower and higher strike price, the minimum margin required must be the net market value of the short and long call options (or put options).~~

~~**e) Short Iron Butterfly Spread**~~

~~Where a client account contains a short iron butterfly spread combination on the same underlying interest with all options expiring at the same time, such that the client holds four separate option series wherein the exercise prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option with the same strike price and the short options are flanked on either side by a long put option and a long call option having respectively a lower and higher strike price, the minimum margin required must be equal to the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.~~

~~**f) Short Iron Condor Spread**~~

~~Where a client account contains a short iron condor spread combination on the same underlying interest with all options expiring at the same time, such that the client holds four separate option series wherein the exercise prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option and the short options are flanked on either side by a long put option and a long call option having respectively a lower and higher strike price, the minimum margin required must equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.~~

**9108 Index Option and Index Participation Unit Option Spread Combinations**
(01.01.05, 01.02.07, abr. 00.00.00)

~~**a) Call spread combinations and put spread combinations**~~

~~Where a client account contains one of the following spread combinations:~~

- ~~long index call option and short index participation unit call option; or~~
- ~~long index put option and short index participation unit put option; or~~
- ~~long index participation unit call option and short index call option; or~~
- ~~long index participation unit put option and short index put option;~~

~~and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread combination must be the lesser of:~~

~~i) the margin required on the short option pursuant to article 9103; and~~

~~ii) the greater of:~~

~~A) the loss amount, if any, that would result if both options were exercised; and~~

~~B) the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**~~b) Short call – short put spread combinations~~**

~~Where a client account contains one of the following combinations:~~

- ~~short index call option and short index participation unit put option; or~~
- ~~short index participation unit call option and short index put option;~~

~~the minimum margin required must be the greater of:~~

~~i) the greater of:~~

~~A) the margin required on the short call option; or~~

~~B) the margin required on the short put option;~~

~~and~~

~~ii) the excess of the aggregate exercise value of the short put option over the aggregate exercise value of the short call option;~~

~~and~~

~~iii) the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**9109 Index Option Combinations with Qualifying Baskets of Index Securities and Index Participation Units**
(01.01.05, 01.02.07, abr. 00.00.00)

**~~a) Short call option combinations with long qualifying baskets of index securities or long index participation units~~**

~~Where a client account contains one of the following option related combinations:~~

- ~~short index call options and long an equivalent number of qualifying baskets of index securities; or~~
- ~~short index call options and long an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~
- ~~short index participation unit call options and long an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~

- ~~short index participation unit call options and long an equivalent number of index participation units;~~

~~the minimum margin required must be the greater of:~~

~~i) the lesser of~~

~~A) the normal margin required on the qualifying basket of index securities (or index participation units); and~~

~~B) any excess of the aggregate exercise value of the call options over the normal loan value of the qualifying basket of index securities (or index participation units);~~

~~and~~

~~ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**~~b) Short put option combinations with short qualifying baskets of index securities or short index participation units~~**

~~Where a client account contains one of the following option related combinations:~~

- ~~short index put options and short an equivalent number of qualifying baskets of index securities; or~~
- ~~short index put options and short an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~
- ~~short index participation unit put options and short an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~
- ~~short index participation unit put options and short an equivalent number of index participation units;~~

~~the minimum margin required must be the greater of:~~

~~i) the lesser of~~

~~A) the normal margin required on the qualifying basket of index securities (or index participation units); and~~

~~B) any excess of the normal credit required on the underlying interest qualifying basket of index securities (or index participation units) over the aggregate exercise value of the put option;~~

~~and~~

~~ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**~~c) Long call option combinations with short qualifying baskets of index securities or short index participation units~~**

~~Where a client account contains one of the following option related combinations:~~

- ~~long index call options and short an equivalent number of qualifying baskets of index securities; or~~
- ~~long index call options and short an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~
- ~~long index participation unit call options and short an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~
- ~~long index participation unit call options and short an equivalent number of index participation units;~~

~~the minimum margin required must be the sum of:~~

~~i) 100% of the market value of the call options; and~~

~~ii) the greater of:~~

~~A) the lesser of:~~

~~I) the aggregate exercise value of the call options; and~~

~~II) the normal credit required on the qualifying basket of index securities (or index participation units);~~

~~and~~

~~B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**~~d) Long put option combinations with long qualifying baskets of index securities or long index participation units~~**

~~Where a client account contains one of the following option related combinations:~~

- ~~long index put options and long an equivalent number of qualifying baskets of index securities; or~~

- ~~long index put options and long an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~

- ~~long index participation unit put options and long an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~

- ~~long index participation unit put options and long an equivalent number of index participation units;~~

~~the minimum margin required must be the greater of:~~

~~i) the lesser of:~~

~~A) the normal margin required on the qualifying basket of index securities (or index participation units); and~~

~~B) the excess of the combined market value of the qualifying basket of index securities (or index participation units) and the put option over the aggregate exercise value of the put option;~~

~~and~~

~~ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**~~e) Conversion or long tripo combinations~~**

~~Where a client account contains one of the following option related combinations:~~

- ~~long a qualifying basket of index securities, long an equivalent number of index put options and short an equivalent number of index call options (note: subject to incremental basket margin where qualifying basket is imperfect); or~~

- ~~long index participation units, long an equivalent number of index put options and short an equivalent number of index call options (note: subject to tracking error minimum margin); or~~

- ~~long a qualifying basket of index securities, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options (note: subject to incremental basket margin where qualifying basket is imperfect and subject to tracking error minimum margin); or~~

- ~~long index participation units, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options;~~

~~the minimum margin required must be the sum of:~~

~~i) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;~~

~~and~~

~~ii) the greater of:~~

~~A) the sum of:~~

~~I) 100% of the market value of the long put options; minus~~

~~II) 100% of the market value of the short call options; plus~~

~~III) the difference, plus or minus, between the market value of the qualifying basket of index securities (or index participation units) and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options;~~

~~and~~

~~B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

~~**f) Reconversion or short tripo combinations**~~

~~Where a client account contains one of the following option related combinations:~~

- ~~short a qualifying basket of index securities, short an equivalent number of index put options and long an equivalent number of index call options (note: subject to incremental basket margin where qualifying basket is imperfect); or~~

- ~~short index participation units, short an equivalent number of index put options and long an equivalent number of index call options (note: subject to tracking error minimum margin); or~~

- ~~short a qualifying basket of index securities, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options (note: subject to incremental basket margin where qualifying basket is imperfect and subject to tracking error minimum margin); or~~

- ~~short index participation units, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options;~~

~~the minimum margin required must be the sum of:~~

~~i) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;~~

~~and~~

~~ii) the greater of:~~

~~A) the sum of:~~

~~I) 100% of the market value of the long call options; minus~~

~~II) 100% of the market value of the short put options; plus~~

~~III) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the qualifying basket of index securities (or index participation units), where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options;~~

~~and~~

~~B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**9110 – 9120 (reserved)**

**9121 Exchange Traded Futures Contracts – General**
(01.01.05, 23.01.06)

a) The Bourse shall establish margin requirements applicable to futures contracts positions held by clients and no approved participant shall effect a futures contract transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;

b) positions of clients must be marked to market daily and the required margin must be determined by using the greatest of:

i) the rate required by the futures contract exchange on which the contract is entered into or its clearing corporation; or

ii) the rate required by the broker through which the approved participant ensures the clearing of the futures contract;

c) in the case of a futures contract exchange or its clearing corporation that prescribes margin requirements based on initial and maintenance rates, the initial margin must be required from the client at the time the contract is entered into and such margin must not be for an amount less than the prescribed initial rate. When subsequent adverse price movements in the value of the futures contract 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 must be required. The approved participant may, in addition, require such further margin or deposit as it may consider necessary as a result of fluctuations in market prices;

d) margin requirements established by the Bourse may be made applicable to one or more rather than all approved participants or clients if deemed necessary by the Bourse;

e) for clients, the margin requirements will be satisfied by the deposit of cash, escrow~~margin~~ receipts or securities for which the loan value~~, as established pursuant to articles 7202 to 7206,~~ equals or exceeds the margin required. In the case of an escrow ~~margin~~ receipt, the receipt must certify that government securities are held for futures contract positions of a named client. For the purposes of this receipt, the allowable government securities must mature within one year from the date of the deposit and the required margin covered by the receipt must not be greater than 90% of the par value of such securities held on deposit. All government securities which are an acceptable form of margin for the clearing corporation are acceptable;

f) every approved participant must require from each of its customers for whom trades are effected through an omnibus account, not less than the amount of margin that would be required from such customers if their trades were effected through fully disclosed accounts;

g) specific margin requirements may be applicable on spread positions when a client account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

h) from time to time, the Bourse may impose special margin requirements with respect to particular futures contracts or particular positions in futures contracts.

**9122 Simple or Spread Positions in Futures Contracts**
(01.01.05)

**a) Shares futures contracts positions**

i) For simple positions in share futures contracts held in a client's account, the margin required must be the sum of:

A) the floating margin rate of the underlying interest;

and

B) the greater of:

I) 10% of the floating margin rate of the underlying interest; and

II) where the floating margin rate of the underlying interest is:

a) less than 10%, 5%;
b) less than 20% but greater or equal to 10%, 4%; or
c) greater or equal to 20%, 3%;

multiplied by the daily settlement value of the futures contracts.

ii) For spread positions in share futures contracts held in a client's account, the margin requirements are determined by the Bourse in collaboration with the clearing corporation, from time to time.

**b) Index futures contracts positions**

The margin requirements which must be applied on all positions in index futures contracts held in a client's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

**9123 Share Futures Contracts and Security Combinations**
(01.01.05)

**a) Share futures contracts – underlying share combinations**

Where a client account contains one of the following combinations:

- long share futures contract and short an equivalent position in the underlying share; or
- short share futures contract and long an equivalent position in the underlying share;

the minimum margin required must be the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

**b) Short share futures contracts – long warrants, rights, instalment receipts combination**

Where a client holds a short share futures contract on the shares of an issuer and a long position in warrants, rights, shares, instalment receipts or other securities pursuant to the terms of which the holder is entitled to acquire the same class and at least the same number of shares of the same issuer, the margin required must be equal to the difference between the market value of the long position and the settlement value of the short share futures contract, plus the aggregate of the subscription price or other cost or charge payable in connection with the acquisition of shares underlying to the relevant warrant, right, share, instalment receipt or other security.

**c) Short share futures contracts – long capital shares**

For the purposes of this section:

a) "capital share" means a share issued by a split share company which represents all or a substantial portion of the capital appreciation portion of the underlying common share;

b) "capital share conversion loss" means any excess of the market value of the capital shares over the retraction value of the capital shares;

c) "preferred share" means a share issued by a split share company which represents all or a substantial portion of the dividend portion of the underlying common share, and includes equity dividend shares of split share companies;

e) "retraction value", for capital shares, means:

i) where the capital shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place;

ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place;

f) "split share company" means a corporation formed for the sole purpose of acquiring underlying common shares and issuing its own capital shares based on all or a substantial portion of the capital appreciation portion and its own preferred shares based on all or a substantial portion of the dividend income portion of such underlying common shares.

Where a client holds a long position in capital shares and a short share futures contract, the margin required is the sum of:the capital share conversion loss, if any; and the normal margin required in the case of client account positions on the equivalent number of preferred shares..~~the margin as prescribed in article 7202 A) 2) a).~~

~~In no case the margin required may be less than 3% of the settlement value of the share futures contract.~~

The market value of the underlying security to be used for the calculation of the required margin pursuant to the precedingparagraph~~article 7202 A 2) a)~~ is the settlement value of the share futures contract.

In no case the margin required may be less than 3% of the settlement value of the share futures contract.

**9124 Share Futures Contracts Combinations with Equity Options**
(01.01.05)

With respect to equity options and share futures contracts held in clients accounts, where the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months, the option contracts and the futures contracts may be offset as follows:

**a) Short equity call options – long share futures contracts**

Where a call option is carried short for a client's account and the account is also long a share futures contract on the same number of units of trading on the same underlying share, the minimum margin required must be the greater of:

i) A) the margin required on the futures contract; less

B) the aggregate market value of the call option;

and

ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

**b) Short equity put options – short share futures contracts**

Where a put option is carried short for a client's account and the account is also short a share futures contract on the same number of units of trading on the same underlying share, the minimum margin required must be the greater of:

i) A) the margin required on the futures contract; less

B) the aggregate market value of the put option;

and

ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

**c) Long equity call options – short share futures contracts**

Where a call option is carried long for a client's account and the account is also short a share futures contract on the same number of units of trading on the same underlying share, the minimum margin required must be the greater of:

i) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share;

and

ii) A) *Out-of-the-money position*

The aggregate market value of the call option; plus the lesser of:

I) the aggregate exercise value of the call option less the daily settlement value of the futures contract; or

II) the margin required on the futures contract;

B) *In-the-money or at-the-money position*

I) the aggregate market value of the call option; less

II) the aggregate in-the-money amount of the call option.

**d) Long equity put options – long share futures contracts**

Where a put option is carried long for a client's account and the account is also long a share futures contract on the same number of units of trading on the same underlying share, the minimum margin required must be the greater of:

i) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share;

and

ii) A) *Out-of-the-money position*

The aggregate market value of the put option; plus the lesser of:

I) the daily settlement value of the futures contract less the aggregate exercise value of the put option; or

II) the margin required on the futures contract;

B) *In-the-money or at-the-money position*

I) the aggregate market value of the put option; less

II) the aggregate in-the-money amount of the put option.

**e) Conversion or long tripo combination involving equity options and share futures contracts**

Where a put option is carried long for a client's account and the account is also short a call option and long a share futures contract on the same number of units of trading on the same underlying share with the same expiry date, the minimum margin required must be the greater of:

i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contract and the aggregate exercise value of the long put option or the short call option; plus

B) the aggregate net market value of the put and call options;

and

ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

**f) Reconversion or short tripo combination involving equity options and share futures contracts**

Where a put option is carried short for a client's account and the account is also long a call option and short a share futures contract on the same number of units of trading on the same underlying share with the same expiry date, the minimum margin required must be the greater of:

i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call option or short put option and the daily settlement value of the short futures contract; plus

B) the aggregate net market value of the put and call options;

and

ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

**9125 Index Futures Contract Combinations with Qualifying Baskets of Index Securities and Index Participation Units**
(01.01.05, abr. 00.00.00)

~~Where a client account contains one of the following futures contracts related combinations:~~

- ~~long a qualifying basket of index securities and short an equivalent number of index futures contracts (note: subject to incremental basket margin where qualifying basket is imperfect); or~~
- ~~long index participation units and short an equivalent number of index futures contracts; or~~
- ~~short a qualifying basket of index securities and long an equivalent number of index futures contracts (note: subject to incremental basket margin where qualifying basket is imperfect); or~~
- ~~short index participation units and long an equivalent number of index futures contracts;~~

~~the minimum margin required must be:~~

~~i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units; plus~~

~~ii) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities;~~

~~multiplied by the market value of the qualifying basket of index securities (or index participation units).~~

**9126 Index Futures Contract Combinations with Index Options**
(01.01.05, abr. 00.00.00)

~~With respect to offsets between index options, index participation unit options and index futures contracts held in client accounts, the option contracts and the futures contracts must have the same settlement date, or can be settled in either of the two nearest contract months, and no partial offsets are permitted.~~

~~**a) Short index call options or short index participation unit call options – long index futures contracts**~~

~~Where a client account contains one of the following futures contracts and options related combinations:~~

- ~~short index call options and long index futures contracts; or~~
- ~~short index participation unit call options and long index futures contracts;~~

~~the minimum margin required must be the greater of:~~

~~i) A) the margin required on the futures contracts; less~~

~~B) the aggregate market value of the call options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

~~**b) Short index put options or short index participation unit put options – short index futures contracts**~~

~~Where a client account contains one of the following futures contracts and options related combinations:~~

- ~~short index put options and short index futures contracts; or~~
- ~~short index participation unit put options and short index futures contracts;~~

~~the minimum margin required must be the greater of:~~

~~i) A) the margin required on the futures contracts; less~~

~~B) the aggregate market value of the put options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

~~**c) Long index call options or long index participation unit call options – short index futures contracts**~~

~~Where a client account contains one of the following futures contracts and options related combinations:~~

- ~~long index call options and short index futures contracts; or~~
- ~~long index participation unit call options and short index futures contracts;~~

~~the minimum margin required must be the greater of:~~

~~i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units;~~

~~and~~

~~ii) A) *Out-of-the-money position*~~

~~The aggregate market value of the call options; plus the lesser of:~~

~~I) the aggregate exercise value of the call options less the daily settlement value of the futures contracts; or~~

~~II) the margin required on the futures contracts;~~

~~B) *In-the-money or at-the-money position*~~

~~I) the aggregate market value of the call options; less~~

~~II) the aggregate in-the-money amount of the call options.~~

~~**d) Long index put options or long index participation unit put options – long index futures contracts**~~

~~Where a client account contains one of the following futures contracts and options related combinations:~~

- ~~long index put options and long index futures contracts; or~~
- ~~long index participation unit put options and long index futures contracts;~~

~~the minimum margin required must be the greater of:~~

~~i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units;~~

~~and~~

~~ii) A) *Out-of-the-money position*~~

~~the aggregate market value of the put options; plus the lesser of:~~

~~I) the daily settlement value of the futures contracts less the aggregate exercise value of the put options; or~~

~~II) the margin required on the futures contracts;~~

~~B) *In-the-money or at-the-money position*~~

~~I) the aggregate market value of the put options; less~~

~~II) the aggregate in-the-money amount of the put options.~~

~~**e) Conversion or long tripo combination involving index options or index participation unit options and index futures contracts**~~

~~Where a client account contains one of the following tripo combinations:~~

- ~~long index futures contracts and long index put options and short index call options with the same expiry date; or~~

- ~~long index futures contracts and long index participation unit put options and short index participation unit call options with the same expiry date;~~

~~the minimum margin required must be the greater of:~~

~~i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options; plus~~

~~B) the aggregate net market value of the put and call options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

~~**f) Reconversion or short tripo combination involving index options or index participation unit options and index futures contracts**~~

~~Where a client account contains one of the following tripo combinations:~~

- ~~short index futures contracts and short index put options and long index call options with the same expiry date; or~~

- ~~short index futures contracts and short index participation unit put options and long index participation unit call options with the same expiry date;~~

~~the minimum margin required must be the greater of:~~

~~i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or short put options and the daily settlement value of the short futures contracts; plus~~

~~B) the aggregate net market value of the put and call options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

**9127 – 9150 (reserved)**

**9151 Margin Requirements for Positions in and Offsets Involving OCC Options**
(01.01.05, abr. 00.00.00)

~~The margin requirements for OCC options must be the same as set out in articles 9101 through 9150.~~

**9152 Margin Requirements for Positions in and Offsets Involving Sponsored Options**
(01.01.05, 00.00.00)

The margin requirements for sponsored options are the same as the margin requirements for exchange-traded options~~ set out in articles 9101 through 9150~~, with the following exceptions:

a) in the case of pairings involving European-style or cash settlement sponsored options, the required margin must not be less than 5% of the underlying security market value;

b) for pairings, the units of trading for call or put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest; and

c) in the case of sponsored options, a client of an approved participant is prohibited to hold a short position with the exception of sponsors for whom the capital rules applicable are those that are applicable to short exchange traded options positions held by an approved participant for its own account.~~defined in articles 9201 through 9300~~.

**Section 9201 - 9300**
**Capital Requirements on Equity-Related Derivatives**

**9201 Exchange Traded Options – General**
(01.01.05, abr. 00.00.00)

~~a) With respect to an approved participant account, a market maker account,a restricted trading permit holder account for which a clearing approved participant has issued a letter of authorization or a sponsor account, the Bourse has established certain charges against capital;~~

~~b) in the treatment of spreads, the long position may expire before the short position;~~

~~c) for any short position carried for a client or non-client account where the account has not provided required margin, any shortfall must be charged against the approved participant's capital;~~

~~d) where an approved participant account holds both CDCC options and OCC options that have the same underlying interest, the OCC options may be considered to be options for the purposes of the calculation of the capital requirements for the account under the provisions of this section;~~

~~e) from time to time the Bourse may impose special capital requirements with respect to particular options or particular positions in options.~~

**9202 Long Option Positions**
(01.01.05, abr. 00.00.00)

~~a) For approved participant accounts, subject to paragraph b), the capital required for long options must be the sum of:~~
~~i) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and~~

~~ii) the lesser of:~~

~~A) the normal margin required on the underlying interest; or~~

~~B) if any, the in-the-money value associated with the option.~~

~~For the purpose of the present article, "the option's time value" means any excess of the market value of the option over the in-the-money value of the option.~~

~~b) where, in the case of equity options, the underlying security in respect of a long call option is the subject of a legal and binding cash take-over bid for which all the conditions have been met, the capital required on such call option must be the market value of the call option, less the amount by which the amount offered exceeds the exercise price of the call option. Where such a take-over bid is made for less than 100% of the issued and outstanding securities, the capital requirement must be applied pro-rata in the same proportion as the offer, and paragraph a) must apply to the balance.~~

**9203 Short Option Positions**
(01.01.05, 01.02.07, abr. 00.00.00)

~~The minimum capital required which must be maintained in respect of an option carried short in an approved participant account must be:~~

~~i) A) for equity options or equity participation unit options, the market value of the equivalent number of equity securities or participation units multiplied by the underlying interest margin rate; or~~

~~B) for index participation unit options, the market value of the equivalent number of index participation units multiplied by the floating margin rate; or~~

~~C) for index options, the aggregate current value of the index, multiplied by the floating margin rate;~~

~~minus~~

~~ii) any out-of-the-money amount associated with the option.~~

**9204 Covered Option Positions**
(01.01.05, abr. 00.00.00)

~~a) No capital is required for a call option carried short in an approved participant account, which is covered by the deposit of an escrow receipt. The underlying interest deposited in respect of such options shall not be deemed to have any value for capital purposes.~~

~~Evidence of a deposit of the underlying interest shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;~~

~~b) no capital is required for a put option carried short in an approved participant account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the approved participant. The acceptable government securities held on deposit:~~

~~i) must be government securities:~~

~~A) which are acceptable forms of margin for the clearing corporation; and~~

~~B) which mature within one year of their deposit; and~~

~~ii) shall not be deemed to have any value for capital purposes.~~

~~The aggregate exercise value of the short put options must not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the~~

~~agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and~~

~~c) no capital is required for a put option carried short in an approved participant account if the approved participant has obtained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:~~

~~i) a bank which is a Canadian chartered bank or a Quebec savings bank; or~~

~~ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of $5,000,000;~~

~~provided that the letter of guarantee certifies that the bank or trust company:~~

~~iii) holds on deposit for the account of the approved participant cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying interest covered by the put option; or~~

~~iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying interest covered by the put option;~~

~~and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.~~

**9205 Option Spreads and Combinations**
(01.01.05, 01.02.07, 13.08.07, abr. 00.00.00)

~~**a) Call spreads and put spreads**~~

~~Where an approved participant account contains one of the following spread pairings for an equivalent number of trading units on the same underlying interest:~~

- ~~long call option and short call option; or~~
- ~~long put option and short put option;~~

~~the minimum capital required must be the lesser of:~~

~~i) the capital required on the short option pursuant to article 9203; or~~

~~ii) the spread loss amount, if any, that would result if both options were exercised.~~

~~**b) Short call – short put spreads**~~

~~Where a call option is carried short for an approved participant's account and the account is also short a put option on the same number of units of trading on the same underlying interest, the minimum capital required must be the greater of:~~

~~i) the greater of:~~

~~A) the capital required on the call option; or~~

~~B) the capital required on the put option;~~

~~and~~

~~ii) the excess of the aggregate exercise value of the put option over the aggregate exercise value of the call option.~~

~~**c) Long call – long put spreads**~~

~~Where a call option is carried long for an approved participant's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum capital required must be the lesser of:~~

~~i) the sum of:~~

~~A) the capital required for the call option; and~~

~~B) the capital required for the put option;~~

~~and~~

~~ii) the sum of:~~

~~A) 100% of the market value of the call option; plus~~

~~B) 100% of the market value of the put option; minus~~

~~C) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option.~~

~~**d) Long call – short call – long put**~~

~~Where a call option is carried long for an approved participant's account and the account is also short a call option and long a put option on the same number of units of trading on the same underlying interest, the minimum capital required must be:~~

~~i) 100% of the market value of the long call option; plus~~

~~ii) 100% of the market value of the long put option; minus~~

~~iii) 100% of the market value of the short call option; plus~~

~~iv) the greater of:~~

~~A) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the short call option; and~~

~~B) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the long put option.~~

~~Where the amount calculated in iv) is negative, this amount may be applied against the capital charge.~~

~~**e) Short call – long warrant**~~

~~Where a call option is carried short for an approved participant's account and the account is also long a warrant on the same number of units of trading on the same underlying interest, the minimum capital required must be the sum of:~~

~~i) the lesser of:~~

~~A) the capital required on the call option; or~~

~~B) the spread loss amount, if any, that would result if both the option and the warrant were exercised;~~

~~and~~

~~ii) the excess of the market value of the warrant over the in-the-money value of the warrant multiplied by 25%;~~

~~and~~

~~iii) the in-the-money value of the warrant, multiplied by:~~

~~A) 50%, where the expiration date of the warrant is 9 months or more away; or~~

~~B) 100%, where the expiration date of the warrant is less than 9 months away.~~

~~The market value of the short call option may be used to reduce the capital required on the long warrant, but cannot reduce the capital required to less than zero.~~

**9206 Options and Security Combinations**
(01.01.05, 01.02.07, abr. 00.00.00)

~~**a) Short call – long underlying (or convertible) combination**~~

~~Where, in the case of equity or equity participation unit options, a call option is carried short in an approved participant's account and the account is also long an equivalent position in the underlying interest or in the case of equity options in a security readily convertible or exchangeable (without restrictions other than the payment of consideration and within a reasonable time provided such time must be prior to the expiration of the call option) into the underlying interest, or in the case of equity participation unit options in securities readily exchangeable into the underlying interest, the minimum capital required must be the sum of:~~

~~i) the lesser of~~

~~A) the normal capital required on the underlying interest; and~~

~~B) any excess of the aggregate exercise value of the call options over the normal loan value of the underlying interest;~~

~~and~~

~~ii) where a convertible security or exchangeable security is held, any excess of the market value of the convertible or exchangeable security over the market value of the equivalent number of underlying securities.~~

~~The market value of the short call option may be used to reduce the capital required on the long security, but cannot reduce the capital required to less than zero.~~

~~**b) Short put – short underlying combination**~~

~~Where, in the case of equity or equity participation unit options, a put option is carried short in an approved participant’s account and the account is also short an equivalent position in the underlying interest, the minimum capital required must be the lesser of:~~

~~i) the normal capital required on the underlying interest; and~~

~~ii) any excess of the normal capital required on the underlying interest over the in-the-money value, if any, of the put option.~~

~~The market value of the short put option may be used to reduce the capital required on the short security, but cannot reduce the capital required to less than zero.~~

~~**c) Long call – short underlying combination**~~

~~Where, in the case of equity or equity participation unit options, a call option is carried long in an approved participant’s account and the account is also short an equivalent position in the underlying interest, the minimum capital required must be the sum of:~~

~~i) 100% of the market value of the call option; and~~

~~ii) the lesser of:~~

~~A) any out-of-the-money value associated with the call option; or~~

~~B) the normal capital required on the underlying interest.~~

~~Where the call option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero.~~

**~~d) Long put – long underlying combination~~**

~~Where, in the case of equity or equity participation unit options, a put option is carried long in an approved participant's account and the account is also long an equivalent position in the underlying interest, the minimum capital required must be the lesser of:~~

~~i) the normal capital required on the underlying interest; and~~

~~ii) the excess of the combined market value of the underlying interest and the put option over the aggregate exercise value of the put option.~~

~~Where the put option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero.~~

**~~e) Conversion or long tripo combination~~**

~~Where, in the case of equity or equity participation unit options, a position in an underlying interest is carried long in an approved participant's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required must be:~~

~~i) 100% of the market value of the long put options; minus~~

~~ii) 100% of the market value of the short call options; plus~~

~~iii) the difference, plus or minus, between the market value of the underlying interest and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options.~~

**~~f) Reconversion or short tripo combination~~**

~~Where, in the case of equity or equity participation unit options, a position in an underlying interest is carried short in an approved participant's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum capital required must be:~~

~~i) 100% of the market value of the long call options; minus~~

~~ii) 100% of the market value of the short put options; plus~~

~~iii) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the underlying interest, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.~~

**9207 Option Spreads Involving Complex Strategies**
(01.01.05, 13.08.07, abr. 00.00.00)

~~In addition to the option spreads permitted in article 9205, the following additional option spread strategies are available for positions in options:~~

~~**a) Box spread**~~

~~Where an approved participant account contains a box spread combination on the same underlying interest with all options expiring at the same timesuch that the approved participant holds a long and short call option and a long and short put option and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum capital required must be the lesser of:~~

~~i) the difference, plus or minus, between the aggregate exercise value of the long call options and the aggregate exercise value of the long put options; and~~

~~ii) the net market value of the options.~~

~~**b) Long butterfly spread**~~

~~Where an approved participant account contains a long butterfly spread combination on the same underlying interest with all options expiring at the same time such that the approved participant holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having respectively a lower and higher strike price, and the interval between the strike prices is equal, the minimum capital required must be the net market value of the short and long call options (or put options).~~

~~**c) Short butterfly spread**~~

~~Where an approved participant account contains a short butterfly spread combination on the same underlying interest with all options expiring at the same time such that the approved participant holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having respectively a lower and higher strike price, and the interval between the strike prices is equal, the minimum capital required must be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options). The market value of any premium credit carried on the short options may be used to reduce the capital required.~~

~~**d) Long Condor Spread**~~

~~Where an approved participant account contains a long condor spread combination on the same underlying interest with all options expiring at the same time, such that the approved participant holds four separate option series wherein the exercise prices of the options are in ascending order and the interval between the strike prices is equal, comprising a short position in two call options (or put options) and the short call options (or short put options) are flanked on either side by a long call~~

~~option (or long put option) having a lower and higher strike price respectively, the minimum capital required must be equal to the net market value of the short and long call options (or put options).~~

**~~e) Short Iron Butterfly Spread~~**

**~~e) Short Iron Butterfly Spread~~**

~~Where an approved participant account contains a short iron condor butterfly spread combination on the same underlying interest with all options expiring at the same time, such that the approved participant holds four separate option series wherein the exercise prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option with the same strike price and the short options are flanked on either side by a long put option and a long call option having respectively a lower and higher strike price, the minimum capital required must be equal to the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum capital required.~~

**~~f) Short Iron Condor Spread~~**

~~Where an approved participant account contains a short iron condor spread combination on the same underlying interest with all options expiring at the same time, such that the approved participant holds four separate option series wherein the exercise prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option and the short options are flanked on either side by a long put option and a long call option having respectively a lower and higher strike price, the minimum capital required must equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum capital required.~~

**9208 Index Options and Index Participation Unit Option Spread Combinations**
(01.01.05, 01.02.07, abr. 00.00.00)

**~~a) Call spread combinations and put spread combinations~~**

~~Where an approved participant account contains one of the following spread combinations:~~

- ~~long index call option and short index participation unit call option; or~~
- ~~long index participation unit call option and short index call option; or~~
- ~~long index put option and short index participation unit put option; or~~
- ~~long index participation unit put option and short index put option;~~

~~and the short option expires on or before the date of expiration of the long option, the minimum capital required must be the lesser of:~~

~~i) the capital required on the short option pursuant to article 9203; and~~

~~ii) the greater of:~~

~~A) the spread loss amount, if any, that would result if both options were exercised; and~~

~~B) the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.~~

~~**b) Short call – short put spread combinations**~~

~~Where an approved participant account contains one of the following spread combinations:~~

- ~~short index call option and short index participation unit put option; or~~
- ~~short index participation unit call option and short index put option;~~

~~the minimum capital required must be the greater of:~~

~~i) the greater of:~~

~~A) the capital required on the short call option; or~~

~~B) the capital required on the short put option;~~

~~and~~

~~ii) the excess of the aggregate exercise value of the short put option over the aggregate exercise value of the short call option;~~

~~and~~

~~iii) the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**9209 Index Option Combinations with Qualifying Baskets of Index Securities and Index Participation Units**
(01.01.05, 01.02.07, abr. 00.00.00)

~~**a) Short call option combinations with long qualifying baskets of index securities or long index participation units**~~

~~Where an approved participant account contains one of the following option related combinations:~~

- ~~short index call options and long an equivalent number of qualifying baskets of index securities; or~~
- ~~short index call options and long an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~

- ~~short index participation unit call options and long an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~

- ~~short index participation unit call options and long an equivalent number of index participation units;~~

~~the minimum capital required must be the greater of:~~

~~i) the lesser of~~

~~A) the normal capital required on the qualifying basket of index securities (or index participation units); and~~

~~B) any excess of the aggregate exercise value of the call options over the normal loan value of the qualifying basket (or participation units);~~

~~and~~

~~ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**~~b) Short put option combinations with short qualifying index baskets or short index participation units~~**

~~Where an approved participant account contains one of the following option related combinations:~~

- ~~short index put options and short an equivalent number of qualifying baskets of index securities; or~~

- ~~short index put options and short an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~

- ~~short index participation unit put options and short an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~

- ~~short index participation unit put options and short an equivalent number of index participation units;~~

~~the minimum capital required must be the greater of:~~

~~i) the lesser of~~

~~A) the normal capital required on the qualifying basket of index securities (or indexparticipation units); and~~

~~B) any excess of the normal capital required on the underlying interest over the in-the-money value, if any, of the put option;~~

~~and~~

~~ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**~~c) Long call option combinations with short qualifying baskets of index securities or short index participation units~~**

~~Where an approved participant account contains one of the following option related combinations:~~

- ~~long index call options and short an equivalent number of qualifying baskets of index securities; or~~
- ~~long index call options and short an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~
- ~~long index participation unit call options and short an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~
- ~~long index participation unit call options and short an equivalent number of index participation units;~~

~~the minimum capital required must be the sum of:~~

~~i) 100% of the market value of the call options; and~~

~~ii) the greater of:~~

~~A) the lesser of:~~

~~I) the aggregate exercise value of the call options less the market value of the qualifying basket of index securities (or index participation units); and~~

~~II) the normal capital required on the qualifying basket of index securities (or index participation units);~~

~~and~~

~~B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**~~d) Long put option combinations with long qualifying baskets of index securities or long index participation units~~**

~~Where an approved participant account contains one of the following option related combinations:~~

- ~~long index put options and long an equivalent number of qualifying baskets of index securities; or~~

- ~~long index put options and long an equivalent number of index participation units (note: subject to tracking error minimum margin); or~~

- ~~long index participation unit put options and long an equivalent number of qualifying baskets of index securities (note: subject to tracking error minimum margin); or~~

- ~~long index participation unit put options and long an equivalent number of index participation units;~~

~~the minimum capital required must be the greater of:~~

~~i) the lesser of:~~

~~A) the normal capital required on the qualifying basket (or participation units); and~~

~~B) the excess of the combined market value of the qualifying basket (or participation units) and the put option over the aggregate exercise value of the put option;~~

~~and~~

~~ii) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**~~e) Conversion or long tripo combinations~~**

~~Where an approved participant account contains one of the following option related combinations:~~

- ~~long a qualifying basket of index securities, long an equivalent number of index put options and short an equivalent number of index call options (note: subject to incremental basket margin where qualifying basket is imperfect); or~~

- ~~long index participation units, long an equivalent number of index put options and short an equivalent number of index call options (note: subject to tracking error minimum margin); or~~

- ~~long a qualifying basket of index securities, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options (note: subject to incremental basket margin where qualifying basket is imperfect and subject to tracking error minimum margin); or~~

- ~~long index participation units, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options;~~

~~the minimum capital required must be the sum of:~~

~~i) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;~~

~~and~~

~~ii) the greater of:~~

~~A) the sum of:~~

~~I) 100% of the market value of the long put options; minus~~

~~II) 100% of the market value of the short call options; plus~~

~~III) the difference, plus or minus, between the market value of the qualifying basket of index securities (or index participation units) and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options;~~

~~and~~

~~B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**~~f) Reconversion or short tripo combinations~~**

~~Where an approved participant account contains one of the following option related combinations:~~

- ~~short a qualifying basket of index securities, short an equivalent number of index put options and long an equivalent number of index call options (note: subject to incremental basket margin where qualifying basket is imperfect); or~~
- ~~short index participation units, short an equivalent number of index put options and long an equivalent number of index call options (note: subject to tracking error minimum margin); or~~
- ~~short a qualifying basket of index securities, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options (note: subject to incremental basket margin where qualifying basket is imperfect and subject to tracking error minimum margin); or~~
- ~~short index participation units, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options;~~

~~the minimum capital required must be the sum of:~~

~~i) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;~~

~~and~~

~~ii) the greater of:~~

~~A) the sum of:~~

~~I) 100% of the market value of the long call options; minus~~

~~II) 100% of the market value of the short put options; plus~~

~~III) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the qualifying basket of index securities (or index participation units), where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options;~~

~~and~~

~~B) where applicable, the published tracking error margin rate for a spread between the index and the related index participation units, multiplied by the market value of the underlying index participation units.~~

**9210 Index Option Combinations with Qualifying Baskets of Index Securities and Commitment to Purchase Index Participation Units**
(01.01.05, abr. 00.00.00)

~~**a) Short index participation unit call options – long qualifying basket of index securities – commitment to purchase index participation units**~~

~~Where an approved participant holds a long position in a qualifying basket of index securities offset by an equivalent number of short index participation unit call options, and has a commitment to purchase a new issue of index participation units pursuant to an underwriting agreement and the underwriting period expires after the expiry date of the short call options, provided the size of the long qualifying basket does not exceed the size of the approved participant's underwriting commitment to purchase index participation units, the capital required must be the normal capital required on the long qualifying basket less the market value of the short call options, but in no event must the capital required be less than zero.~~

~~**b) Long index participation unit put options – long qualifying basket of index securities – commitment to purchase index participation units**~~

~~Where an approved participant holds a long position in a qualifying basket of index securities offset by an equivalent number of long index participation unit put options, and has a commitment to purchase a new issue of index participation units pursuant to an underwriting agreement and the underwriting period expires after the expiry date of the long put options, provided the size of the long qualifying basket does not exceed the size of the approved participant's underwriting commitment to purchase index participation units, the capital required must be:~~

~~i) 100% of the market value of the long put options; plus~~

~~ii) the lesser of:~~

~~A) the normal capital required on the long qualifying basket; or~~

~~B) the market value of the qualifying basket less the aggregate exercise value of the put options.~~

~~A negative value calculated under ii) B) may reduce the capital required on the put options, but in no event must the capital required be less than zero.~~

**9211 – 9220 (reserved)**

**9221 Exchange Traded Futures Contracts – General**
(01.01.05, 23.01.06)

a) With respect to an account of an approved participant, market-maker, or restricted trading permit holder for which a clearing approved participant has issued a letter of guarantee, the Bourse may establish certain charges against the capital of the approved participant carrying the account, which charges may be less onerous than margin requirements applicable to clients but for which the approved participant must maintain adequate capital resources at all times;

b) positions of approved participants and customers must be marked to market daily and the required capital must be determined by using the greatest of:

i) the rate required by the futures contract exchange on which the contract is entered into or its clearing corporation; or

ii) the rate required by the broker through which the approved participant ensures the clearing of the futures contract;

c) in the case of a futures contract exchange or its clearing corporation that prescribes margin requirements based on initial and maintenance rates, initial capital is required at the time the contract is entered into and the amount of such capital must not be less than the prescribed initial rate. Subsequently, the approved participant must maintain, for each position held, a capital amount equivalent to the prescribed maintenance rate;

d) capital requirements established by the Bourse may be made applicable to one or more rather than all approved participants if deemed necessary by the Bourse;

e) specific capital requirements may be applicable on spread positions when an approved participant account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

f) from time to time the Bourse may impose special capital requirements with respect to particular futures contracts or particular positions in futures contracts.

**9222 Simple or Spread Positions in Futures Contracts**
(01.01.05)

**a) Share futures contracts positions**

i) For simple positions in share futures contracts held in an approved participant's account, the capital required must be the floating margin rate of the underlying interest multiplied by the daily settlement value of the futures contracts;

ii) for spread positions in shares futures contracts held in an approved participant's account, the capital requirements are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

**b) Index futures contracts positions**

The capital requirements which must be applied on all positions in index futures contracts held in an approved participant's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

**9223 Share Futures Contracts and Security Combinations**
(01.01.05, 00.00.00)

**a) Share futures contracts – underlying share combinations**

Where an approved participant account contains one of the following combinations:

- long share futures contract and short an equivalent position in the underlying share; or
- short share futures contract and long an equivalent position in the underlying share;

the minimum capital required must be the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

**b) Short share futures contracts – long convertible security combination**

Where an approved participant holds a short share futures contract on the shares of an issuer and a long position in securities which are currently convertible or exchangeable into the same class and at least the same number of shares of the same issuer, the capital required must be the excess of the market value of the long position over the settlement value of the short share futures contracts.

Any residual net credit money balance between the market value and settlement value of the positions which are paired cannot be used to reduce capital otherwise required on the long or short position remaining unhedged after applying the pairing described above.

Where the securities representing the long position held by the approved participant are not convertible or exchangeable until the expiry of a specific period of time but the approved participant has entered into a written, legally enforceable agreement, pursuant to which it has borrowed securities of the same class as those of the short position which do not have to be returned until the expiration of the period of time until conversion or exchange, the above-mentioned pairing may be done as if the securities representing the long position were currently convertible or exchangeable.

**c) Short share futures contracts – long warrants, rights, instalment receipts combination**

Where an approved participant holds a short share futures contract on the shares of an issuer and a long position in warrants, rights, shares, instalment receipts or other securities pursuant to the terms of which the holder is entitled to acquire the same class and at least the same number of shares of the same issuer, the capital required must be equal to the aggregate of the subscription price or other cost or charge payable in connection with the acquisition of the underlying shares pursuant to the warrant, right, share, instalment receipt or other security plus (or minus, if the result is negative) the difference between the aggregate market value of the warrant, right, share, instalment receipt or other security and the settlement value of the share futures contracts.

**d) Short share futures contracts – long capital shares**

For the purposes of this section:

a) "capital share" means a share issued by a split share company which represents all or a substantial portion of the capital appreciation portion of the underlying common share;

b) “capital share conversion loss” means any excess of the market value of the capital shares over the retraction value of the capital shares;

c) "preferred share" means a share issued by a split share company which represents all or a substantial portion of the dividend portion of the underlying common share, and includes equity dividend shares of split share companies;

e) “retraction value”, for capital shares, means:

i) where the capital shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place;

ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place;

f) "split share company" means a corporation formed for the sole purpose of acquiring underlying common shares and issuing its own capital shares based on all or a substantial portion of the capital appreciation portion and its own preferred shares based on all or a substantial portion of the dividend income portion of such underlying common shares.

Where an approved participant holds a long position in capital shares and a short share futures contract, the capital required is equal to the sum of the conversion loss, if any, and the normal capital required on the equivalent number of preferred shares.~~the capital as prescribed in article 7202A 2) a).~~

~~In no case, the capital required shall be less than 3% of the settlement value of the share futures contract.~~

The market value of the underlying security to be used for the calculation of the required capital pursuant to the preceding paragraph~~article 7202A 2) a)~~ is the settlement value of the share futures contract.

In no case, the capital required shall be less than 3% of the settlement value of the share futures contract.

**9224 Share Futures Contracts Combinations with Equity Options**
(01.01.05)

With respect to equity options and share futures contracts held in approved participants accounts, where the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months, the option contracts and the futures contracts may be offset as follows:

**a) Short equity call options – long share futures contracts**

Where a call option is carried short for an approved participant's account and the account is also long a share futures contract on the same number of units of trading on the same underlying share, the minimum capital required must be the greater of:

i) A) the capital required on the futures contract; less

B) the aggregate market value of the call option;

and

ii) the published tracking error margin rate for a spread between the futures contract and the related share, multiplied by the market value of the underlying share.

**b) Short equity put options – short share futures contracts**

Where a put option is carried short for an approved participant's account and the account is also short a share futures contract on the same number of units of trading on the same underlying share, the minimum capital required must be the greater of:

i) A) the capital required on the futures contract; less

B) the aggregate market value of the put option;

and

ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

**c) Long equity call options – short share futures contracts**

Where a call option is carried long for an approved participant account and the account is also short a share futures contract on the same number of units of trading on the same underlying share, the minimum capital required must be the greater of:

i) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share;

and

ii) A) *Out-of-the-money position*

The aggregate market value of the call option; plus the lesser of:

I) the aggregate exercise value of the call option less the daily settlement value of the futures contract; or

II) the capital required on the futures contract;

B) *In-the-money or at-the-money position*

I) the aggregate market value of the call option; less

II) the aggregate in-the-money amount of the call option.

**d) Long equity put options – long share futures contracts**

Where a put option is carried long for an approved participant's account and the account is also long a share futures contract on the same number of units of trading on the same underlying share, the minimum capital required must be the greater of:

i) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share;

and

ii) A) *Out-of-the-money position*

The aggregate market value of the put option; plus the lesser of:

I) the daily settlement value of the futures contract less the aggregate exercise value of the put option; or

II) the capital required on the futures contract;

B) *In-the-money or at-the-money position*

I) the aggregate market value of the put option; less

II) the aggregate in-the-money amount of the put option.

**e) Conversion or long tripo combination involving equity options and share futures contracts**

Where a put option is carried long for an approved participant's account and the account is also short a call option and long a share futures contract on the same number of units of trading on the same underlying share with the same expiry date, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contract and the aggregate exercise value of the long put option or the short call option; plus

B) the aggregate net market value of the put and call options;

and

ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

**f) Reconversion or short tripo combination involving equity options and share futures contracts**

Where a put option is carried short for an approved participant's account and the account is also long a call option and short a share futures contract on the same number of units of trading on the same underlying share with the same expiry date, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call option or short put option and the daily settlement value of the short futures contract; plus

B) the aggregate net market value of the put and call options;

and

ii) the published tracking error margin rate for a spread between the futures contract and the related underlying share, multiplied by the market value of the underlying share.

**9225 Index Futures Contract Combinations with Qualifying Baskets of Index Securities and Index Participation Units**
(01.01.05, abr. 00.00.00)

~~Where an approved participant account contains one of the following futures contracts related combinations:~~

- ~~long a qualifying basket of index securities and short an equivalent number of index futures contracts (note: subject to incremental basket margin where qualifying basket is imperfect); or~~
- ~~long index participation units and short an equivalent number of index futures contracts; or~~
- ~~short a qualifying basket of index securities and long an equivalent number of index futures contracts (note: subject to incremental basket margin where qualifying basket is imperfect); or~~
- ~~short index participation units and long an equivalent number of index futures contracts;~~

~~the capital required must be:~~

~~i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units; plus~~

~~ii) where applicable, the calculated incremental basket margin rate for the qualifying basket of index securities;~~

~~multiplied by the market value of the qualifying basket of index securities (or index participation units).~~

**9226 Index Futures Contract Combinations with Index Options**
(01.01.05, abr. 00.00.00)

~~With respect to offsets between index options, index participation unit options and index futures contracts held in approved participant accounts, the option contracts and the futures contracts must have the same settlement date, or can be settled in either of the two nearest contract months, and no partial offsets are permitted.~~

**~~a) Short index call options or short index participation unit call options – long index futures contracts~~**

~~Where an approved participant account contains one of the following futures contracts and options related combinations:~~

- ~~short index call options and long index futures contracts; or~~
- ~~short index participation unit call options and long index futures contracts;~~

~~the minimum capital required must be the greater of:~~

~~i) A) the capital required on the futures contracts; less~~

~~B) the aggregate market value of the call options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contracts and the related index or participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

**~~b) Short index put options or short index participation unit put options – short index futures contracts~~**

~~Where an approved participant account contains one of the following futures contracts and options related combinations:~~

- ~~short index put options and short index futures contracts; or~~
- ~~short index participation unit put options and short index futures contracts;~~

~~the minimum capital required must be the greater of:~~

~~i) A) the capital required on the futures contracts; less~~

~~B) the aggregate market value of the put options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contract and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

~~**c) Long index call options or long index participation unit call options – short index futures contracts**~~

~~Where an approved participant account contains one of the following futures contracts and options related combinations:~~

- ~~long index call options and short index futures contracts; or~~
- ~~long index participation unit call options and short index futures contracts;~~

~~the minimum capital required must be the greater of:~~

~~i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units;~~

~~and~~

~~ii) A) *Out-of-the-money position*~~

~~The aggregate market value of the call options, plus the lesser of:~~

~~I) the aggregate exercise value of the call options, less the daily settlement value of the futures contracts; or~~

~~II) the capital required on the futures contracts;~~

~~B) *In-the-money or at-the-money position*~~

~~I) the aggregate market value of the call options; less~~

~~II) the aggregate in-the-money amount of the call options.~~

~~**d) Long index put options or long index participation unit put options – long index futures contracts**~~

~~Where an approved participant account contains one of the following futures contracts and options related combinations:~~

- ~~long index put options and long index futures contracts; or~~
- ~~long index participation unit put options and long index futures contracts;~~

~~the minimum capital required must be the greater of:~~

~~i) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units;~~

~~and~~

~~ii) A) *Out-of-the-money position*~~

~~The aggregate market value of the put options, plus the lesser of:~~

~~I) the daily settlement value of the futures contracts, less the aggregate exercise value of the put options; or~~

~~II) the capital required on the futures contracts;~~

~~B) *In-the-money or at-the-money position*~~

~~I) the aggregate market value of the put options; less~~

~~II) the aggregate in-the-money amount of the put options.~~

~~**e) Conversion or long tripo combination involving index options or index participation unit options and index futures contracts**~~

~~Where an approved participant account contains one of the following tripo combinations:~~

- ~~long index futures contracts and long index put options and short index call options with the same expiry date; or~~

- ~~long index futures contracts and long index participation unit put options and short index participation unit call options with the same expiry date;~~

~~the minimum capital required must be the greater of:~~

~~i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options; plus~~

~~B) the aggregate net market value of the put and call options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contract and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

~~**f) Reconversion or short tripo combinations involving index options or index participation unit options and index futures contracts**~~

~~Where an approved participant account contains one of the following tripo combinations:~~

- ~~short index futures contracts and short index put options and long index call options with the same expiry date; or~~

- ~~short index futures contracts and short index participation unit put options and long index participation unit call options with the same expiry date;~~

~~the minimum capital required must be the greater of:~~

~~i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or short put options and the daily settlement value of the short futures contracts; plus~~

~~B) the aggregate net market value of the put and call options;~~

~~and~~

~~ii) the published tracking error margin rate for a spread between the futures contracts and the related index or index participation units, multiplied by the market value of the underlying qualifying basket of index securities or index participation units.~~

**9227 – 9250 (reserved)**

**9251 Capital Requirements for Positions In and Offsets Involving OCC Options**
(01.01.05, abr. 00.00.00)

~~The capital requirements for OCC options must be the same as set out in articles 9201 through 9250.~~

**9252 Capital Requirements for Positions In and Offsets Involving Sponsored Options**
(01.01.05, abr. 00.00.00)

The capital requirements for sponsored options are the same as the capital requirements for exchange-traded options ~~set out in articles 9201 through 9250~~, with the following exceptions:

a) in the case of pairings involving European-style or cash settlement sponsored options, the required capital must not be less than 5% of the underlying security market value;

b) for pairings, the units of trading for call or put sponsored options must represent equivalent units of trading of any other options or an equivalent quantity of the underlying interest.

## Section 9301 – 9400
## Margin Requirements for~~on Interest Rate Related~~ Derivatives Instruments on Bonds and Interest Rates

### 9301 Exchange Traded Bond Options - General
(01.01.05, 01.02.07, 00.00.00)

a) The Bourse shall establish margin requirements applicable to bond options positions held by clients and no approved participant shall effect an option transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;

b) all opening selling transactions and resulting short positions must be carried in a margin account;

c) each bond option must be margined separately and any difference between the market price of the underlying interest and the exercise price of the option must be considered to be of value only in providing the amount of margin required on that particular option;

d) where a client account holds both CDCC bond options and OCC bond options that have the same underlying interest, the OCC bond options may be considered to be bond options for the purposes of the calculation of the margin requirements for the account under the provisions of this section;

e) from time to time the Bourse may impose special margin requirements with respect to particular bond options or particular positions in such options.

**9302 Long Bond Option Positions**
(01.01.05, 00.00.00)

All purchases of bond options must be for cash and long positions shall have no value for margin purposes.

**9303 Short Bond Option Positions**
(01.01.05, 00.00.00)

a) The minimum margin requirement which must be maintained in respect of a~~n~~ bond option carried short in a client account must be:

i) 100% of the market value of the option; plus

ii) a percentage of the market value of the underlying ~~interest~~bond, determined using the following percentages:

A) underlying bond~~interest~~ maturing over 10 years, 3%;
B) underlying bond~~interest~~ maturing over 3 years to 10 years, 1.75%; or
C) underlying bond~~interest~~ maturing in 3 years or less, 1%;

minus

iii) any out-of-the-money amount associated with the bond option.

b) Paragraph a) notwithstanding, the minimum margin requirement which must be maintained and carried in a client account trading in bond options must not be less than:

i) 100% of the market value of the option; plus

ii) an additional requirement determined by multiplying 0.50% by the market value of the underlying bond~~interest~~.

**9304 Covered Bond Option Positions**
(01.01.05, 00.00.00)

a) No margin is required for a call option carried short in a client's account which is covered by the deposit of an escrow receipt. The underlying ~~interest~~ bond deposited in respect of such options shall not be deemed to have any value for margin purposes.

Evidence of a deposit of the underlying ~~interest~~ bond shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse upon request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;

b) no margin is required for a put option carried short in a client's account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the client. The acceptable government securities held on deposit:

i) must be government securities:

A) which are acceptable forms of margin for the clearing corporation; and

B) which mature within one year of their deposit; and

ii) shall not be deemed to have any value for margin purposes.

The aggregate exercise value of the short put option must not be greater than 90% of the aggregate ~~par~~ nominal value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and

c) no margin is required for a put option carried short in a client's account if the client has delivered to the approved participant with which such position is maintained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:

i) a bank which is a Canadian chartered bank or a Quebec savings bank; or

ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of $5,000,000;

provided that the letter of guarantee certifies that the bank or trust company,

iii) holds on deposit for the account of the client cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying interest covered by the put option; or

iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying interest covered by the put option;

and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.

**9305 Bond Options Spreads and Combinations**
(01.01.05, 00.00.00)

**a) Call spreads and put spreads**

Where a client account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread pairing must be the lesser of:

i) the margin required on the short option; or

ii) the spread loss amount, if any, that would result if both options were exercised.

**b) Short call – short put spreads**

Where a call option is carried short for a client's account and the account is also short a put option on the same number of units of trading on the same underlying ~~interest~~bond, the minimum margin required must be the sum of:

i) the greater of:

A) the margin required on the call option; or

B) the margin required on the put option;

and

ii) the loss amount that would result if the option having the lesser margin required was exercised.

**9306 Bond Option and Security Combinations**
(01.01.05, 00.00.00)

**a) Short call – long underlying bond combination**

Where, in the case of bond options, a call option is carried short in a client's account and the account is also long an equivalent position in the underlying bond, the minimum margin required must be the lesser of:

i) the margin required on the underlying bond; or

ii) the margin required on the underlying bond based on the exercise price of the call option.

For purposes of this Rule, " underlying bond " includes any bond issue of the Government of Canada which:

i) has a higher coupon rate than the underlying bond;

ii) has an aggregate face value at maturity of at least $1,000,000,000;

iii) trades at a price of $5 per $100 face value greater than the underlying bond; and

iv) matures no sooner than 2 years prior to the underlying bond.

**b) Short put – short underlying bond combination**

Where, in the case of bond options, a put option is carried short in a client's account and the account is also short an equivalent position in the underlying bond, the minimum margin required must be the greater of:

i) the margin required on the underlying bond; or

ii) the margin required on the underlying bond based on the exercise price of the put option.

**c) Long call – short underlying bond combination**

Where, in the case of bond options, a call option is carried long in a client's account and the account is also short an equivalent position in the underlying bond, the minimum margin required must be the sum of:

i) 100% of the market value of the call option; and

ii) the lesser of:

A) the aggregate exercise value of the call option; or

B) the normal margin required on the underlying bond.

**d) Long put – long underlying bond combination**

Where, in the case of bond options, a put option is carried long in a client's account and the account is also long an equivalent position in the underlying bond, the minimum margin required must be the sum of:

i) 100% of the market value of the put option; and

ii) 50% of the margin required on the underlying bond; and

iii) any out-of-the-money value associated with the put option, up to the amount determined in ii) above.

**9307 – 9310 (reserved)**

**9311 Long Option on Futures Contracts Positions**
(01.01.05, 00.00.00)

All purchases of options on futures contracts must be for cash and long positions shall have no loan value for margin purposes.

**9312 Short Option on Futures Contracts Positions**
(01.01.05)

The minimum margin requirement which must be maintained in respect of an option carried short in a client account must be:

i) 100% of the market value of the option; plus

ii) the greater of:

A) 50% of the normal margin required on the underlying futures contract; or

B) the normal margin required on the underlying futures contract less 50% of the amount by which the option is out-of-the-money.

**9313 Options on Futures Contracts Spreads and Combinations**
(01.01.05)

**a) Call spreads and put spreads**

i) Where a client account contains one of the following spread pairings:

- long call option and short call option with the same or higher exercise price; or
- long put option and short put option with the same or lower exercise price;

the minimum margin required for the spread pairing must be:

A) 100% of the market value of the long option; minus

B) 100% of the market value of the short option; plus

C) where the long option expires before the short option, 50% of the normal margin required on the underlying futures contract.

ii) Where a client account contains one of the following spread pairings:

- long call option and short call option with a lower exercise price; or
- long put option and short put option with a higher exercise price;

the minimum margin required for the spread pairing must be the sum of:

A) the lesser of:

I) the loss amount that would result if both options were exercised; or

II) a) where the long and short options have the same expiry date, the margin required on the short option; or

b) where the long and short options have different expiry dates, the normal margin required on the underlying futures contract;

and

B) where the options have different expiry dates, the net market value of the long and short options.

**b) Short call – short put spreads**

Where a call option is carried short for a client's account and the account is also short a put option, the minimum margin required must be the sum of:

i) the greater of:

A) the margin required on the call option ; or

B) the margin required on the put option;

and

ii) the loss amount that would result if the option having the lesser margin required was exercised.

**9314 – 9320 (reserved)**

**9321 Exchange Traded Futures Contracts – General**
(01.01.05, 23.01.06, 00.00.00)

a) The Bourse shall establish margin requirements applicable to futures contracts positions held by clients and no approved participant shall effect a futures contract transaction or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of this section;

~~b) positions of clients must be marked to market daily and the required margin must be determined by using the greatest of:~~

~~i) the rate required by the futures contract exchange on which the contract is entered into or its clearing corporation; or~~

~~ii) the rate required by the broker through which the approved participant ensures the clearing of the futures contract;~~

~~c) in the case of a futures contract exchange or its clearing corporation that prescribes margin requirements based on initial and maintenance rates, the initial margin must be required from the client at the time the contract is entered into in and such margin must not be for an amount less than~~

~~the prescribed initial rate. When subsequent adverse price movements in the value of the futures contract 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 must be required. The approved participant may, in addition, require such further margin or deposit as it may consider necessary as a result of fluctuations in market prices;~~

~~d) margin requirements established by the Bourse may be made applicable to one or more rather than all approved participants or clients if deemed necessary by the Bourse;~~

e) for clients, the margin requirements will be satisfied by the deposit of cash, ~~margin~~ escrow receipt or securities for which the loan value~~, as established pursuant to articles 7202 to 7206,~~ equals or exceeds the margin required. In the case of an escrow~~margin~~ receipt, the receipt must certify that government securities are held for futures contract positions of a named client. For the purposes of this receipt, the allowable government securities must mature within one year from the date of the deposit and the required margin covered by the receipt must not be greater than 90% of the par value of such securities held on deposit. All government securities which are an acceptable form of margin for the clearing corporation are acceptable;

~~f) every approved participant must require from each of its customers for whom trades are effected through an omnibus account not less than the amount of margin that would be required from such customers if their trades were effected through fully disclosed accounts;~~

g) specific margin requirements may be applicable on spread positions when a client account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

h) from time to time, the Bourse may impose special margin requirements with respect to particular futures contracts or particular positions in futures contracts.

**9322 Simple or Spread Positions in Futures Contracts**
(01.01.05)

The margin requirements which must be applied on all positions in futures contracts held in a client's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

**9323 Futures Contracts and Security Combinations**
(01.01.05, 27.02.06, abr. 00.00.00)

~~With respect to futures contracts and securities (including future purchase and sale commitments) held in a client's account, the combinations described in paragraphs a) to e) may only apply if the following requirements are complied with:~~

~~i) securities described in Group III (municipality of Canada) of article 7204 are eligible for offset only if they have a long-term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;~~

~~ii) securities described in Group V (corporate) of article 7204 are eligible for offset only if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;~~

~~iii) securities in offsetting positions must be denominated in the same currency; and~~

~~iv) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position.~~

~~For the purpose of this article, maturity bands are the one referred to in article 7204 for the purpose of determining margin rates.~~

**~~a) Bond futures contracts combinations with Group I securities~~**

~~Where a client account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in Government of Canada securities as described in Group I of article 7204, and the offsetting positions are maturing within the same maturity band, the total margin required in respect of both positions must be the margin required on the net long or short position;~~

~~Where a client account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in Government of Canada securities as described in Group I of article 7204, and the offsetting positions are of different maturity bands, the total margin required in respect of both positions must be 50% of the greater of the margin required on the long or short position.~~

**~~b) Bond futures contracts combinations with Group II securities~~**

~~Where a client account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in Province of Canada securities as described in Group II of article 7204, and the offsetting positions are maturing within the same or different maturity bands, the total margin required in respect of both positions must be 50% of the greater of the margin required on the long or short position.~~

**~~c) Bond futures contracts combinations with Group III securities~~**

~~Where a client account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in municipality of Canada securities as described in Group III of article 7204, and the offsetting positions are maturing within the same maturity band, the total margin required in respect of both positions must be 50% of the greater of the margin required on the long or short position.~~

**~~d) Bond futures contracts combinations with Group V securities~~**

~~Where a client account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in corporation securities as described in Group V of article 7204, and the offsetting positions are maturing within the same maturity band, the total margin required in respect of both positions must be the greater of the margin required on the long or short position.~~

~~**e) Canadian bankers' acceptance futures contracts combinations with bankers' acceptance**~~

~~Where a client account contains a long (short) 3-month Canadian bankers' acceptance (BAX) futures contracts position and a short (long) position in a bankers' acceptance issued by a Canadian chartered bank, the total margin required in respect of both positions must be the greater of the margin required on the long or short position.~~

**9324 Bond Futures Contracts Combinations with Bond Options**
(01.01.05)

With respect to bond options and bond futures contracts held in client accounts, where the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months, and where the underlying interest of the bond options is a Government of Canada bond maturing or callable for redemption between 3 years 9 months and 10½ years, the option contracts and the futures contracts may be offset as follows:

**a) Long bond options combinations with bond futures contracts**

Where a client account contains one of the following combinations:

- long call options and short an equivalent face value at maturity of futures contracts; or
- long put options and long an equivalent face value at maturity of futures contracts;

the minimum margin required must be:

*i) In-the-money or at-the-money position:*

A) $500; plus

B) the market value of the option; less

C) the in-the-money amount of the option.

*ii) Out-of-the-money position:*

A) the market value of the option; plus

B) the margin required on the futures contract; less

C) the excess of $500 over the out-of-the-money amount of the option.

**b) Short bond options combinations with bond futures contracts**

Where a client account contains one of the following combinations:

- short call options and long an equivalent face value at maturity of futures contracts; or
- short put options and short an equivalent face value at maturity of futures contracts;

the minimum margin required must be the margin required on the futures contracts.

**c) Conversion or long tripo combination involving bond options and bond futures contracts**

Where a put option is carried long for a client's account and the account is also short a call option and long an equivalent face value at maturity of futures contracts, the minimum margin required must be the greater of:

i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options; plus

B) the aggregate market value of the long put options;

and

ii) $500.

**d) Reconversion or short tripo combination involving bond options and bond futures contracts**

Where a put option is carried short for a client's account and the account is also long a call option and short an equivalent face value at maturity of futures contracts, the minimum margin required must be the greater of:

i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or the short put options and the daily settlement value of the short futures contracts; plus

B) the aggregate market value of the long call options;

and

ii) $500.

**9325 Futures Contracts Combinations with Options on Futures Contracts**
(01.01.05)

**a) Long options on futures contracts combinations with futures contracts**

Where a client account contains one of the following combinations:

- long call options and short an equivalent position in futures contracts; or
- long put options and long an equivalent position in futures contracts;

the minimum margin required must be the greater of:

i) the aggregate market value of the long options; or

ii) the margin required on the futures contracts.

**b) Short options on futures contracts combinations with futures contracts**

Where a client account contains one of the following combinations:

- short call options and long an equivalent position in futures contracts; or
- short put options and short an equivalent position in futures contracts;

the minimum margin required must be:

i) the aggregate market value of the short options; plus

ii) the greater of:

A) 50% of the margin required on the futures contracts; or

B) the excess of the margin required on the futures contracts over 50% of the in-the-money amount of the option.

**9326 Pairing of Government of Canada Bond Futures Contracts with U. S. Treasury Bond Futures Contracts**
(23.01.06, abr. 00.00.00)

~~Where a client's account holds inter-commodity spreads in Government of Canada Bond futures contracts and US Treasury Bond futures contracts traded on recognized exchanges, the margin required is the greater of the margin required on either the long position or the short position.~~

~~For the purpose of this article, the foregoing spreads must be on the basis of one Canadian dollar for each U.S. Dollar of the contract size of the relevant futures contracts and, 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*.~~

## Section 9401 - 9500
## Capital Requirements on Bonds and Interest Rate Related Derivatives

### 9401 Exchange Traded Bond Options – General
(01.01.05, 01.02.07, 00.00.00)

a) With respect to an approved participant account or market maker account, or of a restricted trading permit holder account for which an approved participant (or a clearing firm) has issued a letter of authorization or of a sponsor account, the Bourse has established certain charges against capital;

b) in the treatment of spreads, the long position may expire before the short position;

c) for any short position carried for a client or non-client account where the account has not provided required margin, any shortfall will be charged against the approved participant's capital;

d) where an approved participant account holds both CDCC bond options and OCC bond options that have the same underlying interest, the OCC bond options may be considered to be bond options for the purposes of the calculation of the capital requirements for the account under the provisions of this section;

e) from time to time the Bourse may impose special capital requirements with respect to particular bond options or particular positions in bond options;

f) in the pairing described in articles 9405, 9406 and 9424, bond options of different classes for which the underlying bonds have the same margin rate may be paired together provided that:

   i) the exercise price of the bond option for which the market value of the underlying bond is the lowest must be increased by the difference between the market value of the underlying bonds; and

   ii) to the capital required pursuant to articles 9405, 9406 and 9424 must be added an amount equal to the margin that would be required on the net bond position which would result if both bond options were exercised.

### 9402 Long Bond Option Positions
(01.01.05, 00.00.00)

For approved participant accounts, the capital required for a long bond option is the market value of the option. Where the bond option premium is $1 or more, the capital required for the bond option may be reduced by 50% of any in-the-money amount associated with the bond option.

### 9403 Short Bond Option Positions
(01.01.05, 00.00.00)

The capital required which must be maintained in respect of a~~n~~ bond option carried short in an approved participant account must be:

i) a percentage of the market value of the underlying ~~interest~~ bond determined using the following percentages:

A) underlying ~~interest~~ bond maturing over 10 years, 3%;
B) underlying ~~interest~~ bond maturing over 3 years to 10 years, 1.75%;
C) underlying ~~interest~~ bond maturing in 3 years or less, 0.50%;

minus

ii) any out-of-the-money amount associated with the bond option.

**9404 Covered Bond Option Positions**
(01.01.05, 00.00.00)

a) No capital is required for a call option carried short in an approved participant account, which is covered by the deposit of an escrow receipt. The underlying bond~~interest~~ deposited in respect of such options shall not be deemed to have any value for capital purposes.

Evidence of a deposit of the underlying ~~interest~~ bond shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;

b) no capital is required for a put option carried short in an approved participant account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the approved participant. The acceptable government securities held on deposit:

i) must be government securities:

A) which are acceptable forms of margin for the clearing corporation; and

B) which mature within one year of their deposit; and

ii) shall not be deemed to have any value for capital purposes.

The aggregate exercise value of the short put options must not be greater than 90% of the aggregate ~~par~~ nominal value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and

c) no capital is required for a put option carried short in an approved participant account if the approved participant has obtained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:

i) a bank which is a Canadian chartered bank or a Quebec savings bank; or

ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of $5,000,000;

provided that the letter of guarantee certifies that the bank or trust company:

iii) holds on deposit for the account of the approved participant cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying ~~interest~~ bond covered by the put option; or

iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying ~~interest~~ bond covered by the put option;

and further provided that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.

**9405 Bond Options Spreads and Combinations**
(01.01.05, 00.00.00)

**a) Call spreads and put spreads**

Where an approved participant account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

the minimum capital required must be:

i) 100% of the market value of the long option; minus

ii) 100% of the market value of the short option; and

iii) plus the loss (up to the amount of capital required on the short option) or less the gain (up to 50% of the amount by which the long option is in-the-money), that would result if both options were exercised.

**b) Short call – short put spreads**

Where a call option is carried short for an approved participant's account and the account is also short a put option on the same number of units of trading on the same underlying ~~interest~~bond, the minimum capital required must be:

i) the greater of:

A) the capital required on the call option; or

B) the capital required on the put option;

plus

ii) the loss amount that would result if the option having the lesser capital required was exercised;

minus

iii) the aggregate market value of the short call and short put options.

**c) Long call – long put spreads**

Where a call option is carried long for an approved participant's account and the account is also long a put option on the same number of units of trading on the same underlying ~~interest~~bond, the minimum capital required must be:

i) 100% of the market value of the call option; plus

ii) 100% of the market value of the put option; minus

iii) the greater of:

A) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option; or

B) where the premium is equal or greater than $1, 50% of the total amount by which each option is in-the-money.

**d) Long call – short call – long put**

Where a call option is carried long for an approved participant's account and the account is also short a call option and long a put option on the same number of units of trading on the same underlying bond and where the exercise price of the long put option is greater than the exercise price of the long call option, the minimum capital required must be:

i) 100% of the market value of the long call option; plus

ii) 100% of the market of the long put option; minus

iii) 100% of the market value of the short call option; and

iv) less the gain or plus the loss if both call options were exercised (note: the exercise price of the short call option to be used is the lesser of the exercise price of the short call option or the exercise price of the long put option).

**9406 Bond Option and Security Combinations**
(01.01.05, 00.00.00)

**a) Short bond options combinations with underlying ~~interest~~ bond**

Where an approved participant account contains one of the following combinations:

- short call options and long an equivalent position in the underlying bond; or
- short put options and short an equivalent position in the underlying bond;

the minimum capital required must be:

i) the normal capital required on the underlying bond; minus

ii) 100% of the market value of the short option.

**b) Long bond options combinations with underlying ~~interest~~ bond**

Where an approved participant account contains one of the following combinations:

- long call options and short an equivalent position in the underlying bond; or
- long put options and long an equivalent position in the underlying bond;

the minimum capital required must be the sum of:

i) 100% of the market value of the option; and

ii) the lesser of:

A) any out-of-the-money value associated with the option; or

B) 50% of the normal capital required on the underlying bond.

Where the option is in-the-money, this in-the-money value may be applied against the capital required, up to the market value of the option.

**c) Conversion or long tripo combination**

Where, in the case of bond options, a position in an underlying bond is carried long in an approved participant's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required must be:

i) 100% of the market value of the long put options; minus

ii) 100% of the market value of the short call options; plus

iii) the difference, plus or minus, between the market value of the underlying bond and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options.

**d) Reconversion or short tripo combination**

Where, in the case of bond options, a position in an underlying bond is carried short in an approved participant's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum capital required must be:

i) 100% of the market value of the long call options; minus

ii) 100% of the market value of the short put options; plus

iii) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the underlying bond, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.

**9407 – 9410 (reserved)**

**9411 Long Futures Contracts Options ~~on Futures Contract~~ Positions**
(01.01.05, 00.00)

The minimum capital required to carry a long call option or a long put option in an approved participant's account is the market value of the option, but this amount may be reduced by 50% of the amount by which the option is in-the-money when the premium is equal to or greater than 4 basis points in the case of options on Canadian bankers' acceptance futures contracts and 10 basis points in the case of options on Governement of Canada bond futures contracts.

**9412 Short Futures Contracts Options ~~on Futures Contracts Positions~~**
(01.01.05, 00.00.00)

The minimum capital required which must be maintained in respect of an option carried short in an approved participant account must be the greater of:

i) 50% of the capital required on the underlying futures contract; or

ii) the capital required on the futures contract less the amount by which the option is out-of-the-money.

**9413 Futures Contracts Options ~~on Futures Contracts~~ Spreads and Combinations**
(01.01.05, 00.00.00)

**a) Call spreads and put spreads**

Where an approved participant account contains one of the following spread pairings:

- long call option and short call option; or
- long put option and short put option;

the minimum capital required must be:

i) 100% of the market value of the long option; minus

ii) 100% of the market value of the short option; and

iii) plus the loss (up to the amount of capital required on the short option) or less the gain (up to 50% of the amount by which the long option is in-the-money) that would result if both options were exercised (note: to recognize an in-the-money amount, the premium should be equal or greater than 4 basis points in the case of options on Canadian bankers' acceptance futures contracts and 10 basis points in the case of options on Governement of Canada bond futures contracts).

**b) Short call – short put spreads**

Where a call option is carried short for an approved participant account and the account is also short a put option, the minimum capital required must be the sum of:

i) the greater of:

A) the capital required on the call option; or

B) the capital required on the put option;

and

ii) the loss that would result if the option having the lesser capital required was exercised.

**c) Long call – long put spreads**

Where a call option is carried long for an approved participant account and the account is also long a put option, the minimum capital required must be:

i) 100% of the market value of the call option; plus

ii) 100% of the market value of the put option; minus

iii) the greater of:

A) the amount by which the aggregate exercise value of the put option exceeds the exercise value of the call option; or

B) 50 % of the total of the amount by which each option is in-the-money when the premium is equal to or greater than 4 basis points in the case of options on Canadian bankers' acceptance futures contracts and 10 basis points in the case of options on Government of Canada bond futures contracts.

**9414 – 9420 (reserved)**

**9421 Exchange Traded Futures Contracts – General**
(01.01.05, 23.01.06, 00.00.00)

a) With respect to an account of an approved participant, market-maker, or restricted trading permit holder for which a clearing approved participant has issued a letter of guarantee, the Bourse has established certain charges against the capital of the approved participant carrying the account, which charges may be less onerous than margin requirements applicable to clients but for which the approved participant must maintain adequate capital resources at all times;

~~b) positions of approved participants and customers must be marked to market daily and the required capital must be determined by using the greatest of:~~

~~i) the rate required by the futures contract exchange on which the contract is entered into or its clearing corporation; or~~

~~ii) the rate required by the broker through which the approved participant ensures the clearing of the futures contract;~~

~~c) in the case of a futures contract exchange or its clearing corporation that prescribes margin requirements based on initial and maintenance rates, initial capital is required at the time the contract is entered into and the amount of such capital must not be less than the prescribed initial rate. Subsequently, the approved participant must maintain, for each position held, a capital amount equivalent to the prescribed maintenance rate;~~

~~d) capital requirements established by the Bourse may be made applicable to one or more rather than all approved participants or clients if deemed necessary by the Bourse;~~

e) specific capital requirements may be applicable on spread positions when an approved participant account holds such positions. Every approved participant must clearly identify such spread positions in its records relating to margin calculations;

f) from time to time the Bourse may impose special capital requirements with respect to particular futures contracts or particular positions in futures contracts.

**9422 Simple or Spread Positions in Futures Contracts**
(01.01.05)

The capital requirements which must be applied on all positions in futures contracts held in an approved participant's account are determined by the Bourse, in collaboration with the clearing corporation, from time to time.

**9423 Futures Contracts and Security Combinations**
(01.01.05, 27.02.06, abr. 00.00.00)

~~With respect to futures contracts and securities (including future purchase and sale commitments) held in an approved participant's account, the combinations described in paragraphs a) to e) may only apply if the following requirements are complied with:~~

~~i) securities described in Group III (municipality of Canada) of article 7204 are eligible for offset only if they have a long-term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;~~

~~ii) securities described in Group V (corporate) of article 7204 are eligible for offset only if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;~~

~~iii) securities in offsetting positions must be denominated in the same currency; and~~

~~iv) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position.~~

~~For the purpose of this article, maturity bands are the one referred to in article 7204 for the purpose of determining margin rates.~~

**~~a) Bond futures contracts combinations with Group I securities~~**

~~- Where an approved participant account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in Government of Canada securities as described in Group I of article 7204, and the offsetting positions are maturing within the same maturity band, the total capital required in respect of both positions must be the capital required on the net long or short position;~~

~~- Where an approved participant account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in Government of Canada securities as described in Group I of article 7204, and the offsetting positions are of different maturity bands, the total capital required in respect of both positions must be 50% of the greater of the capital required on the long or short position.~~

**~~b) Bond futures contracts combinations with Group II securities~~**

~~- Where an approved participant account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in Province of Canada securities as described in Group II of article 7204, and the offsetting positions are maturing within the same or different maturity bands, the total capital required in respect of both positions must be 50% of the greater of the capital required on the long or short position.~~

**~~c) Bond futures contracts combinations with Group III securities~~**

~~- Where an approved participant account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in municipality of Canada securities as described in Group III of article 7204, and the offsetting positions are maturing within the same maturity band, the total capital required in respect of both positions must be 50% of the greater of the capital required on the long or short position.~~

~~**d) Bond futures contracts combinations with Group V securities**~~

~~Where a client account contains a long (short) Government of Canada bond futures contracts position and a short (long) position in corporation securities as described in Group V of article 7204, and the offsetting positions are maturing within the same maturity band, the total capital required in respect of both positions must be the greater of the capital required on the long or short position.~~

~~**e) Canadian bankers' acceptance futures contracts combinations with bankers' acceptance**~~

~~Where an approved participant account contains a long (short) 3-month Canadian bankers' acceptance (BAX) futures contracts position and a short (long) position in a bankers' acceptance issued by a Canadian chartered bank, the total capital required in respect of both positions must be the greater of the capital required on the long or short position.~~

**9424 Bond Futures Contract Combinations with Bond Options**
(01.01.05)

With respect to bond options and bond futures contracts held in approved participant accounts, where, the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months and where the underlying interest of the bond options is a Government of Canada bond maturing or callable for redemption in a period between 3 years 9 months and 10½ years, the option contracts and the futures contracts may be offset as follows:

**a) Long bond options – position in bond futures contracts**

Where an approved participant account contains one of the following combinations:

- long call options and short an equivalent face value at maturity of futures contracts; or
- long put options and long an equivalent face value at maturity of futures contracts;

the minimum capital required must be:

i) *In-the-money or at-the-money position*:

A) $500; plus

B) 100% of the market value of the option; less

C) the in-the-money amount of the option.

ii) *Out of the money position*:

A) 100% of the market value of the option; plus

B) the capital required on the futures contract; less

C) the excess of $500 over the out-of-the-money amount of the option.

**b) Short bond options – position in bond futures contracts**

Where an approved participant account contains one of the following combinations:

- short call options and long an equivalent face value at maturity of futures contracts; or
- short put options and short an equivalent face value at maturity of futures contracts;

the minimum capital required must be the greater of:

i) A) the capital required on the futures contract; less

B) 100% of the market value of the short option;

and

ii) $500.

**c) Conversion or long tripo combination involving bond options and bond futures contracts**

Where a put option is carried long for an approved participant's account and the account is also short a call option and long an equivalent face value at maturity of futures contracts, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or short the call options; plus

B) the net market value of the long put and short call options;

and

ii) $500.

**d) Reconversion or short tripo combination involving bond options and bond futures contracts**

Where a put option is carried short for an approved participant's account and the account is also long a call option and short an equivalent face value at maturity of futures contracts, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or the short put options and the daily settlement value of the short futures contracts; plus

B) the net market value of the long call and short put options;

and

ii) $500.

**9425 Futures Contracts Combinations with Options on Futures Contracts**
(01.01.05)

For the following combinations, the delivery months of the options and of the futures contracts have no importance.

**a) Long options on futures contracts – position in futures contracts**

Where an approved participant account contains one of the following combinations:

- long call options and short an equivalent position in futures contracts; or
- long put options and long an equivalent position in futures contracts;

the minimum capital required must be the greater of:

i) the capital required on the long option;

and

ii) A) the capital required on the futures contract; less

B) the amount by which the option is in-the-money.

**b) Short options on futures contracts – position in futures contracts**

Where an approved participant account contains one of the following combinations:

- short call options and long an equivalent position in futures contracts; or
- short put options and short an equivalent position in futures contracts;

the minimum capital required must be the greater of:

i) 50% of the capital required on the futures contract;

and

ii) A) the capital required on the futures contract; less

B) the amount by which the option is in-the-money.

**c) Conversion or long tripo combination involving options on futures contracts and futures contracts**

Where a position in a futures contract is carried long in an approved participant's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the exercise value of the long put options or short call options; plus

B) the net market value of the long put and short call options;

and

ii) 50% of the capital required on the futures contracts.

**d) Reconversion or short tripo combination involving options on futures contracts and futures contracts**

Where a position in a futures contract is carried short in an approved participant's account and the account is also short an equivalent position in put options and long an equivalent position in call options, the minimum capital required must be the greater of:

i) A) the greater of the difference, plus or minus, between the exercise value of the long call options or short put options and the daily settlement value of the futures contracts; plus

B) the net market value of the short put and long call options;

and

ii) 50% of the capital required on the futures contracts.

**9426 Pairing of Government of Canada Bond Futures Contracts with U. S. Treasury Bond Futures Contracts**
(23.01.06, abr. 00.00.00)

~~Where an approved participant's account holds inter-commodity spreads in Government of Canada Bond futures contracts and US Treasury Bond futures contracts traded on recognized exchanges, the margin required is the greater of the margin required on either the long position or the short position.~~

~~For the purpose of the present article, the foregoing spreads must be on the basis of one Canadian dollar for each U.S. Dollar of the contract size of the relevant futures contracts and, 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*.~~

**Section –9501 – 9600**
**Over-the-counter (OTC) options**

**9501 Margin Requirements - General Provisions**
(01.01.05, 19.10.06, abr. 00.00.00)

~~**a) Basis of valuation**~~

~~Over-the-counter option positions in a client account must be marked to the market daily by calculating the value on a basis consistent with the valuation benchmark or mathematical model used in determining the premium at the time the contract was initially entered.~~

~~**b) Margin accounts and agreements**~~

~~i) All opening short transactions in over-the-counter options must be carried in a margin account;~~

~~ii) approved participants writing and issuing or guaranteeing over-the-counter options on behalf of a customer must have and maintain, with each customer, a written margin agreement defining~~

~~the rights and obligations between them in regard to over-the-counter options or have and maintain supplementary over-the-counter option agreements with customers selling such options.~~

~~**c) Counterparty as client**~~

~~Where the approved participant is a party to an over-the-counter option, the counterparty to the option must be considered a client of the approved participant.~~

~~**d) Financial Institutions**~~

~~i) No margin is required for over-the-counter options entered into by a client that is an acceptable institution, as such term is defined in Policy C-3 of the Bourse ("Joint Regulatory Financial Questionnaire and Report"), as amended from time to time;~~

~~ii) where the client is an acceptable counterparty or a regulated entity, as such terms are defined in Policy C-3 of the Bourse, as amended from time to time, the required margin must be equal to the market value deficiency calculated in respect of the option position on an item-by-item basis;~~

~~for the purpose of this subparagraph, the market value deficiency means the amount by which the premium paid exceeds the market value of the option.~~

~~**e) Terms of put and call options**~~

~~An approved participant or *an approved person* must not make or participate in an over-the-counter trade in any put or call option, unless such option:~~

~~i) does not relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation; or~~

~~ii) does relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation, but whose terms are materially different from those of any series of options issued by the Canadian Derivatives Clearing Corporation.~~

~~For the purposes of the present section, writing over-the-counter options means the distribution of securities for which a prospectus may be required or for which specific or blanket exemptions may be necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so must, accordingly, ensure that such distribution complies with applicable securities legislation.~~

~~**f) Confirmation, delivery and exercise**~~

~~i) Every over-the-counter option must be confirmed in writing as between the parties, such confirmation to be mailed or delivered on the day of the transaction;~~

~~ii) payment, settlement, exercise and delivery of an over-the-counter option must be made in accordance with the terms of the over-the-counter option contract.~~

~~**g) Semi-monthly returns**~~

~~Approved participants are required to report as of the close of business on the fifteenth and last days of each month or, when either of these days is not a trading day, on the preceding trading day, the total puts and calls written and issued or guaranteed during the period which has ended.~~

**9502 Margin requirements - Simple Long Positions**
(01.01.05, abr. 00.00.00)

~~All purchases of over-the-counter options for clients accounts must be for cash.~~

**9503 Margin Requirements - Simple Short Positions**
(01.01.05, abr. 00.00.00)

~~Subject to articles 9501 e) and 9505, the margin requirements for short positions in over-the-counter options must be as follows:~~

~~a) In the case of a short over-the-counter option position, the margin required is equal to:~~

~~i) 100% of the current premium of the short over-the-counter option;~~

~~ii) plus the product of multiplying the margin rate applicable to the underlying interest by the market value of the underlying interest; and~~

~~iii) less any out-of-the-money amount.~~

~~b) Notwithstanding paragraph a), in the case of a short over-the-counter option position held in a client account, the minimum margin must not be less than:~~

~~i) 100% of the current premium of the option; and~~

~~ii) plus 25% of the product of multiplying the margin rate applicable to the underlying interest by the market value of the underlying interest.~~

**9504 Margin Requirements - Paired Option Positions**
(01.01.05, abr. 00.00.00)

~~a) Except as otherwise provided in the present section, clients, as defined at article 9501 c), are permitted margin offsets for the purpose of hedging over-the-counter options in the same manner as set out in section 9101-9150 and in section 9301-9350, provided that the underlying interest is the same;~~

~~b) in the case of spreads involving European exercise over-the-counter options, a margin offset is permitted only in the following cases:~~

~~i) where the spread consists of a long and a short European exercise options having the same expiration date; or~~

~~ii) where the spread consists of a short European exercise option and a long American exercise option;~~

~~c) a margin offset is not permitted where the spread consists of a long European exercise option and a short American exercise option.~~

**9505 Acceptable Forms of Margin**
(01.01.05, abr. 00.00.00)

~~**a) The following constitutes adequate margin for over-the-counter options:**~~

~~i) a specific deposit of the underlying interest, in a negotiable form, in the client's margin account with the approved participant;~~

~~ii) a deposit with the approved participant of an escrow receipt, as defined in b), in respect of the underlying interest; or~~

~~iii) a letter of guarantee issued by a bank or a trust company in virtue of which this institution undertakes to receive or deliver securities for a client account.~~

~~**b) Escrow Receipt**~~

~~The evidence of a deposit of an over-the-counter option's underlying interest shall be deemed an escrow receipt for the purposes hereof if the underlying interest is held by a custodian that is a depository approved by the clearing corporation pursuant to an escrow agreement, acceptable to the Bourse, between the approved participant with which the escrow receipt is deposited and the approved depository.~~

~~**c) The requirements of this article apply, regardless of any otherwise available margin reduction or margin offset, in the following circumstances:**~~

~~i) where an over-the-counter option is written by a client that is not an acceptable institution, an acceptable counterparty or a regulated entity, as such terms are defined in the Joint Regulatory Financial Questionnaire and Report, as amended from time to time;~~

~~ii) where the terms of the over-the-counter option require settlement by physical delivery of the underlying interest; and~~

~~iii) where the Bourse has not established a margin rate less than 100% for the underlying interest.~~

**9506 – 9510 (Reserved for future use)**

**9511 Capital Requirements - General Provisions**
(01.01.05, 19.10.06, abr. 00.00.00)

~~**a) Basis of valuation**~~

~~Over-the-counter option positions in inventory must be marked to the market daily by calculating the value on a basis consistent with the valuation benchmark or mathematical model used in determining the premium at the time the contract was initially entered.~~

~~**b) Terms of put and call options**~~

~~An approved participant or *an approved person* must not make or participate in an over-the-counter trade in any put or call option, unless such option:~~

~~i) does not relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation; or~~

~~ii) does relate to underlying securities which are the object of options issued by the Canadian Derivatives Clearing Corporation, but whose terms are materially different from those of any series of options issued by the Canadian Derivatives Clearing Corporation.~~

~~For the purposes of the present section, writing over-the-counter options means the distribution of securities for which a prospectus may be required or for which specific or blanket exemptions relief may be necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so must, accordingly, ensure that such distribution complies with applicable securities legislation.~~

~~**c) Confirmation, delivery and exercise**~~

~~i) Every over-the-counter option must be confirmed in writing as between the parties, such confirmation to be mailed or delivered on the day of the transaction.~~

~~ii) Payment, settlement, exercise and delivery of an over-the-counter option must be made in accordance with the terms of the over-the-counter option contract.~~

~~**d) Semi-monthly returns**~~

~~Approved participants are required to report as of the close of business on the fifteenth and last days of each month or, when either of these days is not a trading day, on the preceding trading day, the total puts and calls written and issued or guaranteed during the period which has ended.~~

**9512 Capital Requirements - Simple Long Positions**
(01.01.05, abr. 00.00.00)

~~a) The capital required for a long call and for a long put, where the over-the-counter option's premium is less than $1, must be equal to the market value of the option;~~

~~b) the capital required on a long call, where the over-the-counter option's premium is $1 or more and which is not used to offset the capital required on any other position, must be equal to the market value of the call, less 50% of the excess of the market value of the underlying interest over the exercise price of the call;~~

~~c) the capital required on a long put, where the over-the-counter option's premium is $1 or more and which is not used to offset the capital required on any other position, must be equal to the market value of the put, less 50% of the excess of the exercise price of the put over the market value of the underlying interest.~~

**9513 Capital Requirements - Simple Short Positions**
(01.01.05, abr. 00.00.00)

~~The capital requirements for short positions in over-the-counter options in inventory must be as follows:~~

~~a) In the case of a short over-the-counter option position, the capital required is equal to:~~

~~i) 100% of the current premium of the short over-the-counter option;~~

~~ii) plus the product of multiplying the margin rate applicable to the underlying interest by the market value of the underlying interest; and~~

~~iii) less any out-of-the-money amount.~~

**9514 Capital Requirements - Paired Option Positions**
(01.01.05, abr. 00.00.00)

~~a) Except as otherwise provided in this section, approved participants are permitted capital offsets for the purpose of hedging over-the-counter options in the same manner as set out in section 9201-9150 and in section 9401-9450, provided that the underlying interest is the same.~~

~~b) In the case of spreads involving European exercise over-the-counter options, capital offset is permitted only in the following cases:~~

~~i) where the spread consists of a long and a short European exercise options having the same expiration date; or~~

~~ii) where the spread consists of a short European exercise option and a long American style option.~~

~~c) A capital offset is not permitted where the spread consists of a long European exercise option and a short American exercise option.~~

**9515 Capital Reduction Allowed for Positions Held by Approved Participants**
(01.01.05, abr. 00.00.00)

~~Consistent with listed options, approved participants are permitted to apply the premium credit generated on a short over-the-counter option against the capital required pursuant to this section.~~

~~However, the excess of the premium credit generated on a short over-the-counter option over the capital required on the subject position must not be used to reduce the capital required on another position.~~

**Section 9601 – 9650**
**Margin Requirements on Currency-Related Derivatives**

**9601 Exchange Traded Currency Options – General Provisions**

(26.09.05, abr. 00.00.00)

~~a) The Bourse has established margin requirements applicable to currency option positions held by clients and no approved participant must effect a transaction on these options or carry an account for a client without proper and adequate margin, which must be obtained as promptly as possible and maintained in conformity with the provisions of the present section;~~

~~b) all opening selling transactions and all resulting short positions must be carried in a margin account;~~

~~c) each currency option must be margined separately and any difference between the market price or the current value of the underlying currency and the exercise price of the option must be considered to be of value only in providing the amount of margin required on that particular option;~~

~~d) where a client account holds both currency options issued by the Canadian Derivatives Clearing Corporation (CDCC) and currency options issued by the Options Clearing Corporation (OCC) that have the same underlying currency, the OCC options may, for the purpose of the present section, be considered to be equivalent to CDCC options when calculating the margin requirements applicable to a client account;~~

~~e) from time to time the Bourse may impose special margin requirements with respect to particular currency options or particular positions in these options;~~

~~f) for the purposes of the present section, the “published spot risk margin rate” for a currency means the rate published and modified from time to time by the Investment Dealers Association of Canada.~~

**9602 Long Currency Option Positions**
(26.09.05, abr. 00.00.00)

~~The margin requirement for long currency options must be the sum of:~~

~~i) where the period to expiry is greater or equal to nine months, 50% of the option’s time value, 100% of the option’s time value otherwise; and~~

~~ii) the lesser of~~

~~A) the normal margin required on the underlying currency; or~~

~~B) if any, the in-the-money value associated with the option.~~

~~For the purpose of the present article, “the option’s time value” means any excess of the market value of the option over the in-the-money value of the option.~~

**9603 Short Currency Option Positions**
(26.09.05, abr. 00.00.00)

~~a) The minimum margin requirement which must be maintained in respect of a currency option carried short in a client account must be:~~

~~i) 100% of the market value of the option; plus~~

~~ii) a percentage of the market value of the underlying currency determined by using the published spot risk margin rate for this currency; minus~~

~~iii) any out-of-the-money amount associated with the option.~~

~~b) paragraph a) notwithstanding, the minimum amount of margin which must be maintained and carried in a client account trading in currency options must not be less than:~~

~~i) 100% of the market value of the option; plus~~

~~ii) an additional amount determined by multiplying 0.75% by,~~

~~A) in the case of a short call option, the market value of the underlying currency; or~~

~~B) in the case of a short put option, the aggregate exercise value of the option.~~

**9604 Covered Currency Option Positions**
(26.09.05, abr. 00.00.00)

~~a) No margin is required for a currency call option carried short in a client's account where this option is covered by the deposit of an escrow receipt. The underlying currency deposited in respect of such option shall then be deemed to not have any value for margin purposes.~~

~~Evidence of a deposit of the underlying currency shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;~~

~~b) no margin is required for a currency put option carried short in a client’s account where such option is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the client. The acceptable government securities held on deposit:~~

~~i) must be government securities~~

~~A) which are acceptable forms of margin for the clearing corporation; and~~

~~B) which mature within one year of their deposit, and~~

~~ii) shall not be deemed to have any value for margin purposes.~~

~~The aggregate exercise value of the short currency put option must not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to~~

~~the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and~~

~~c) no margin is required for a currency put option carried short in a client's account if the client has delivered to the approved participant with which such position is maintained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:~~

~~i) a bank which is a Canadian chartered bank or a Quebec savings bank; or~~

~~ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of at least $5,000,000,~~

~~provided that the letter of guarantee certifies that the bank or trust company~~

~~iii) holds on deposit for the account of the client cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the currency underlying the put option; or~~

~~iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the put option underlying currency;~~

~~and provided further that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.~~

**9605 Currency Option Spreads and Combinations**
(26.09.05, abr. 00.00.00)

~~**a) Currency call spreads and put spreads**~~

~~Where a client account contains one of the following spread positions:~~

- ~~currency long call option and currency short call option; or~~
- ~~currency long put option and currency short put option;~~

~~and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread position must be the lesser of:~~

~~i) the margin required on the short option; or~~

~~ii) the spread loss amount, if any, that would result if both options were exercised.~~

~~**b) Currency short call – short put spreads**~~

~~Where a currency call option is carried short for a client's account and the account is also short a currency put option on the same number of units of trading on the same underlying currency, the minimum margin required must be the greater of:~~

~~i) the greater of~~

~~A) the margin required on the call option; or~~

~~B) the margin required on the put option;~~

~~and~~

~~ii) the excess of the aggregate exercise value of the put option over the aggregate exercise value of the call option.~~

**~~c) Currency long call – long put spreads~~**

~~Where a currency call option is carried long for a client's account and the account is also long a currency put option on the same number of units of trading on the same underlying currency, the minimum margin required must be the lesser of:~~

~~i) the sum of~~

~~A) the margin required for the call option; and~~

~~B) the margin required for the put option;~~

~~and~~

~~ii) the sum of~~

~~A) 100% of the market value of the call option; plus~~

~~B) 100% of the market value of the put option; minus~~

~~C) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option.~~

~~**d) Currency Long call – short call – long put**~~

~~Where a currency call option is carried long for a client's account and the account is also short a currency call option and long a currency put option on the same number of units of trading on the same underlying currency, the minimum margin required must be:~~

~~i) 100% of the market value of the long call option; plus~~

~~ii) 100% of the market value of the long put option; minus~~

~~iii) 100% of the market value of the short call option; plus~~

~~iv) the greater of~~

~~A) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the short call option; or~~

~~B) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the long put option.~~

~~Where the amount calculated in iv) is negative, this amount may be applied against the required margin.~~

**9606 Currency Options and Assets Denominated in the Same Currency Combinations**
(26.09.05, abr. 00.00.00)

~~**a) Short currency call – long asset in the same currency combination**~~

~~Where a currency call option is carried short in a client's account and the account is also long an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum margin required must be the lesser of:~~

~~i) the normal margin required on the asset denominated in the same currency; and~~

~~ii) any excess of the aggregate exercise value of the call option over the normal loan value of the asset denominated in the same currency.~~

~~**b) Short currency put – short asset in the same currency combination**~~

~~Where a currency put option is carried short in a client's account and the account is also short an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum margin required must be the lesser of:~~

~~i) the normal margin required on the underlying asset denominated in the same currency; and~~

~~ii) any excess of the normal credit required on the asset denominated in the same currency over the aggregate exercise value of the put option.~~

~~**c) Long currency call – short asset in the same currency combination**~~

~~Where a currency call option is carried long in a client's account and the account is also short an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum margin required must be the sum of:~~

~~i) 100% of the market value of the call option; and~~

~~ii) the lesser of~~

~~A) the aggregate exercise value of the call option; and~~

~~B) the normal credit required on the short asset.~~

~~**d) Long currency put – long asset in the same currency combination**~~

~~Where a currency put option is carried long in a client's account and the account is also long an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum margin required must be the lesser of:~~

~~i) the normal margin required on the asset denominated in the same currency; and~~

~~ii) the excess of the combined market value of the asset denominated in the same currency and the put option over the aggregate exercise value of the put option.~~

## Section 9651 - 9700
## Capital Requirements on Currency-Related Derivatives

### 9651 Exchange Traded Currency Options – General
(26.09.05, abr. 00.00.00)

~~a) With respect to an approved participant account, a market maker account, a restricted trading permit holder account for which a clearing approved participant has issued a letter of authorization or a sponsor account, the Bourse has established certain charges against capital;~~

~~b) for spreads, the long position may expire before the short position;~~

~~c) for any short position carried for a client or non-client account where the account has not provided required margin, any shortfall must be charged against the approved participant's capital;~~

~~d) where an approved participant account holds both currency options issued by the Canadian Derivatives Clearing Corporation (CDCC) and currency options issued by the Options Clearing Corporation (OCC) that have the same underlying currency, the OCC options may, for the purpose of this section, be considered to be equivalent to CDCC options when calculating the capital requirements applicable to an approved participant;~~

~~e) from time to time the Bourse may impose special capital requirements with respect to particular currency options or particular positions in such options;~~

~~f) for the purposes of the present section, the "published spot risk margin rate" for a currency means the rate published and modified from time to time by the Investment Dealers Association of Canada.~~

**9652 Long Currency Option Positions**
(26.09.05, abr. 00.00.00)

~~For approved participant accounts, the capital required for long currency options must be the sum of:~~

~~i) where the period to expiry is greater or equal to nine months, 50% of the option's time value, 100% of the option's time value otherwise; and~~

~~ii) the lesser of~~

~~A) the normal capital required on the underlying currency; or~~

~~B) if any, the in-the-money value associated with the option.~~

~~For the purpose of the present article, "the option's time value" means any excess of the market value of the option over the in-the-money value of the option.~~

**9653 Short Currency Option Positions**
(26.09.05, abr. 00.00.00)

~~The minimum capital required which must be maintained in respect of a currency option carried short in an approved participant account must be:~~

~~i) a percentage of the market value of the underlying currency determined by using the published spot risk margin rate for this currency; minus~~

~~ii) any out-of-the-money amount associated with the option.~~

**9654 Covered Currency Option Positions**
(26.09.05, abr. 00.00.00)

~~a) No capital is required for a currency call option carried short in an approved participant account, where this option is covered by the deposit of an escrow receipt. The underlying currency deposited in respect of such options shall then be deemed to not have any value for capital purposes.~~

~~Evidence of a deposit of the underlying currency shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation;~~

~~b) no capital is required for a currency put option carried short in an approved participant account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities~~

~~are being held by the issuer of the escrow receipt for the account of the approved participant. The acceptable government securities held on deposit:~~

~~i) must be government securities~~

~~A) which are acceptable forms of margin for the clearing corporation; and~~

~~B) which mature within one year of their deposit; and~~

~~ii) shall not be deemed to have any value for capital purposes.~~

~~The aggregate exercise value of the short currency put options must not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Bourse on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation; and~~

~~c) no capital is required for a currency put option carried short in an approved participant account if the approved participant has obtained a letter of guarantee, issued by a financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Bourse, and is:~~

~~i) a bank which is a Canadian chartered bank or a Quebec savings bank; or~~

~~ii) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of at least $5,000,000;~~

~~provided that the letter of guarantee certifies that the bank or trust company~~

~~iii) holds on deposit for the account of the approved participant cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the currency underlying the put option; or~~

~~iv) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the put option underlying currency;~~

~~and provided further that the approved participant has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.~~

**9655 Currency Option Spreads and Combinations**
(26.09.05, abr. 00.00.00)

~~**a) Currency call spreads and put spreads**~~

~~Where an approved participant account contains one of the following spread positions:~~

- ~~currency long call option and currency short call option; or~~
- ~~currency long put option and currency short put option;~~

~~the minimum capital required must be the lesser of~~

~~i) the capital required on the short option; or~~

~~ii) the spread loss amount, if any, that would result if both options were exercised.~~

**~~b) Currency short call – short put spreads~~**

~~Where a currency call option is carried short for an approved participant's account and the account is also short a currency put option on the same number of units of trading on the same underlying currency, the minimum capital required must be the greater of:~~

~~i) the greater of~~

~~A) the capital required on the call option; or~~

~~B) the capital required on the put option;~~

~~and~~

~~ii) the excess of the aggregate exercise value of the put option over the aggregate exercise value of the call option.~~

**~~c) Currency long call – long put spreads~~**

~~Where a currency call option is carried long for an approved participant's account and the account is also long a currency put option on the same number of units of trading on the same underlying currency, the minimum capital required must be the lesser of:~~

~~i) the sum of~~

~~A) the capital required for the call option; and~~

~~B) the capital required for the put option;~~

~~and~~

~~ii) the sum of~~

~~A) 100% of the market value of the call option; plus~~

~~B) 100% of the market value of the put option; minus~~

~~C) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option.~~

~~**d) Currency long call – short call – long put**~~

~~Where a currency call option is carried long for an approved participant's account and the account is also short a currency call option and long a currency put option on the same number of units of trading on the same underlying currency, the minimum capital required must be:~~

~~i) 100% of the market value of the long call option; plus~~

~~ii) 100% of the market value of the long put option; minus~~

~~iii) 100% of the market value of the short call option; plus~~

~~iv) the greater of~~

~~A) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the short call option; or~~

~~B) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the long put option.~~

~~Where the amount calculated in iv) is negative, this amount may be applied against the capital required.~~

**9656 Currency Options and Assets Denominated in the Same Currency Combinations**
(26.09.05, abr. 00.00.00)

~~a) Short currency call – long asset in the same currency combination~~

~~Where a currency call option is carried short in an approved participant's account and the account is also long an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum capital required must be the lesser of:~~

~~i) the normal capital required on the asset denominated in the same currency; and~~

~~ii) any excess of the aggregate exercise value of the call option over the normal loan value of the asset denominated in the same currency.~~

~~The market value of the short call option may be used to reduce the capital required on the long asset, but in no event can the capital required on this asset be less than zero.~~

~~b) Short currency put – short asset in the same currency combination~~

~~Where a currency put option is carried short in an approved participant’s account and the account is also short an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum capital required must be the lesser of:~~

~~i) the normal capital required on the asset denominated in the same currency; and~~

~~ii) any excess of the normal capital required on the asset denominated in the same currency over the in-the-money value, if any, of the put option.~~

~~The market value of the short put option may be used to reduce the capital required on the short asset, but in no event can the capital required on this asset be less than zero.~~

~~c) Long currency call – short asset in the same currency combination~~

~~Where a currency call option is carried long in an approved participant's account and the account is also short an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum capital required must be the sum of:~~

~~i) 100% of the market value of the call option; and~~

~~ii) the lesser of~~

~~A) any out-of-the-money value associated with the call option; or~~

~~B) the normal capital required on the asset denominated in the same currency.~~

~~Where the call option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero.~~

~~d) Long currency put – long asset in the same currency combination~~

~~Where a currency put option is carried long in an approved participant's account and the account is also long an equivalent position in an asset denominated in the same currency as the option underlying currency, the minimum capital required must be the lesser of:~~

~~i) the normal capital required on the asset denominated in the same currency; and~~

~~ii) the excess of the combined market value of the asset denominated in the same currency and the put option over the aggregate exercise value of the put option.~~

~~Where the put option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero.~~

**POLICY C-3**
**JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT**
**TABLE OF CONTENTS**
**(abr. 00.00.00)**

**APPENDIX B**

~~(Firm Name)~~

~~(Date)~~



~~Note: Schedules 2C, 2D, 3, 3A, 4B, 8 and 12A have been eliminated.~~

~~*Feb-2009*~~

## ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~
## ~~GENERAL NOTES AND DEFINITIONS~~

1. ~~Each Member shall comply in all respects with the requirements outlined in this prescribed Joint Regulatory Financial Questionnaire and Report as approved and amended from time to time by the Board of Directors of the Joint Regulatory Bodies and Canadian Investor Protection Fund.~~

~~These statements are to be prepared in accordance with generally accepted accounting principles, except as modified by the requirements of the appropriate regulatory body.~~

~~These statements and schedules are to be completed by members of the Joint Regulatory Bodies as follows:~~
- ~~The Canadian Venture Exchange~~
- ~~The Montreal Exchange~~
- ~~The Toronto Stock Exchange~~
- ~~Investment Dealers Association of Canada~~

~~Firms may have multiple memberships in the above bodies. When this is the case and the requirements of such bodies are not consistent in a specific area, the firm must adhere to the most stringent requirement. The "appropriate Joint Regulatory Body" refers to the institution that maintains the primary audit jurisdiction for the firm and its affiliates under Canadian Investor Protection Fund rules.~~

2. ~~These statements and schedules should be read in conjunction with the bylaws, rules and regulations of the Joint Regulatory Bodies and Canadian Investor Protection Fund including, but not limited to, Margin Rates, Early Warning System, Segregation, Free Credit Segregation, Insurance, Concentration of Securities and Audit Requirements.~~

3. ~~For purposes of these statements and schedules, the accounts of related companies as defined by the appropriate Joint Regulatory Body may be consolidated as provided by the bylaws, rules and regulations of the Joint Regulatory Bodies. If consolidation is appropriate, the names of the companies consolidated must be provided.~~

4. ~~FOR THE PURPOSES OF THESE CAPITAL CALCULATIONS REPORTING ON A TRADE DATE BASIS MUST BE USED UNLESS SPECIFIED OTHERWISE IN THE INSTRUCTIONS. THIS MEANS INCLUDING IN THE FOLLOWING PRESCRIBED STATEMENTS AND SCHEDULES, ALL ASSETS AND LIABILITIES RESULTING FROM SALES AND PURCHASES OF SECURITIES ON OR BEFORE THE REPORTING DATE, EVEN THOUGH THEY MAY BE FOR NORMAL SETTLEMENT AFTER THE REPORTING DATE.~~

5. ~~Firms may determine margin deficiencies for clients, brokers and dealers on either a settlement date basis or trade date basis. Firms may also determine margin deficiencies for acceptable institutions, acceptable counterparties, regulated entities and investment counselors accounts as a block on either a settlement date basis or trade date basis and the remaining clients, brokers and dealer accounts on the other basis. In each case, firms must do so for all such accounts and consistently from period to period.~~

6. ~~All statements and schedules must be filed. If a schedule is not applicable, a "NIL" return must be filed.~~

7. ~~Comparative figures on all statements are only required at the audit date.~~

8. ~~All statements and schedules must be expressed in Canadian dollars and must be rounded to the nearest thousand.~~

9. ~~Schedules should be attached showing details of any significant amounts that have not been clearly described on the attached statements and schedules.~~

10. ~~**Mandatory security counts.** All securities except those held in segregation or safe-keeping shall be counted once a month, or monthly on a cyclical basis. Those held in segregation and safekeeping must be counted once in the year in addition to the count as at the year-end audit date.~~

11. ~~At the year-end, enclose a list of all brokers and dealers for which a confirmation has not been obtained after two requests. Such list should include the dollar balances in such accounts, as reflected in the firm's records.~~

12. ~~At the year-end, enclose a list of guarantees that have been disallowed for margin purposes as a result of the lack of confirmation based on a positive request. Such list should disclose the names of the guarantor and guaranteed account involved, as well as the amount of margin relief that was disallowed. A copy should be provided to the Member firm.~~

~~13. At the year end, enclose a list of Other Acceptable Foreign Securities Locations, the market value of the securities held at each of these locations and whether a written custodial agreement is in place. In addition, include a list of those Other Acceptable Foreign Securities Locations for which a positive confirmation has not been received at the time of filing and the amount of margin provided on these positions.~~

~~**DEFINITIONS:**~~

~~(a) **"acceptable clearing corporations"** means those entities considered suitable to provide a Member with securities or derivatives transactions clearing and settlement services. These entities are as follows:~~

~~Any clearing agency operating a central system for clearing of securities or derivatives transactions that is subject to legislation and oversight by a central or regional government authority in the country of operation. The legislation or oversight regime must provide for or recognize the clearing agency's powers of compliance and enforcement over its members or participants. The Joint Regulatory Bodies will maintain and regularly update a list of those acceptable clearing corporations.~~

~~(b) **"acceptable counterparties"** means those entities with whom a Member may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are as follows:~~

1. ~~Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of $10 million and less than or equal to $100 million to qualify, provided acceptable financial information with respect to such entities is available for inspection.~~

2. ~~Credit and central credit unions and regional caisses populaires with paid up capital and surplus or net worth (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of $10 million and less than or equal to $100 million, provided acceptable financial information with respect to such entities is available for inspection.~~

3. ~~Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of $10 million and less than or equal to $100 million, provided acceptable financial information with respect to such companies is available for inspection.~~

4. ~~Canadian provincial capital cities and all other Canadian cities and municipalities, or their equivalents, with populations of 50,000 and over.~~

5. ~~Mutual funds subject to a satisfactory regulatory regime with total net assets in the fund in excess of $10 million.~~

6. ~~Corporations (other than regulated entities) with a minimum net worth of $75 million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection.~~

7. ~~Trusts and limited partnerships with minimum total net assets on the last audited balance sheet in excess of $100 million, provided acceptable financial information with respect to such trust or limited partnership is available for inspection.~~

8. ~~Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, with total net assets on the last audited balance sheet in excess of $10 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.~~

9. ~~Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of $15 million and less than or equal to $150 million, provided acceptable financial information with respect to such entities is available for inspection.~~

10. ~~Foreign insurance companies subject to a satisfactory regulatory regime with paid up capital and surplus or net worth on the last audited balance sheet in excess of $15 million, provided acceptable financial information with respect to such companies is available for inspection.~~

11. ~~Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of $15 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.~~

12. ~~Federal governments of foreign countries which do not qualify as a Basle Accord country.~~

~~For the purposes of this definition, a satisfactory regulatory regime will be one within Basle Accord countries.~~

~~Subsidiaries (excluding regulated entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable counterparty may also be considered as an acceptable counterparty if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the appropriate Joint Regulatory Body.~~

(c) ~~**"acceptable institutions"** means those entities with which a Member is permitted to deal on an unsecured basis without capital penalty. The entities are as follows:~~

1. ~~Government of Canada, the Bank of Canada and provincial governments.~~

2. ~~All crown corporations, instrumentalities and agencies of the Canadian federal or provincial governments which are government guaranteed as evidenced by a written unconditional irrevocable guarantee or have a call on the consolidated revenue fund of the federal or provincial governments.~~

3. ~~Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof. Each of the aforementioned entities must have paid up capital and surplus on the last audited balance sheet (plus such other forms of capital recognized as such in their regulatory regime as well as in this capital formula, e.g. subordinated debt) in excess of $100 million, provided acceptable financial information with respect to such entities is available for inspection.~~

4. ~~Credit and central credit unions and regional caisses populaires with paid up capital and surplus (excluding appraisal credits but including general reserves) on the last audited balance sheet in excess of $100 million, provided acceptable financial information with respect to such entities is available for inspection.~~

5. ~~Federal governments of Basle Accord Countries.~~

6. ~~Foreign banks and trust companies subject to a satisfactory regulatory regime with paid up capital and surplus on the last audited balance sheet in excess of $150 million, provided acceptable financial information with respect to such entities is available for inspection.~~

7. ~~Insurance companies licensed to do business in Canada or a province thereof with paid up capital and surplus or net worth on the last audited balance sheet in excess of $100 million, provided acceptable financial information with respect to such companies is available for inspection.~~

8. ~~Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission, and with total net assets on the last audited balance sheet in excess of $200 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.~~

9. ~~Foreign pension funds subject to a satisfactory regulatory regime with total net assets on the last audited balance sheet in excess of $300 million, provided that in determining net assets the liability of the fund for future pension payments shall not be deducted.~~

~~For the purposes of this definition, a satisfactory regulatory regime will be one within Basle Accord countries.~~

~~Subsidiaries (other than regulated entities) whose business falls in the category of any of the above enterprises and whose parent or affiliate qualifies as an acceptable institution may also be considered as an acceptable institution if the parent or affiliate provides a written unconditional irrevocable guarantee, subject to approval by the appropriate Joint Regulatory Body.~~

(d) ~~**"acceptable securities locations"** means those entities considered suitable to hold securities on behalf of a Member, for both inventory and client positions, without capital penalty, given that the locations meet the requirements outlined in the segregation bylaws, rules or regulations of the Joint Regulatory Bodies including, but not limited to, the requirement for a written custody agreement outlining the terms upon which such securities are deposited and including provisions that no use or disposition of the securities shall be made without the prior written consent of the Member and the securities can be delivered to the Member promptly on demand. The entities are as follows:~~

1, Depositories and Clearing Agencies

Any securities depository or clearing agency operating a central system for handling securities or equivalent book-based entries or for clearing of securities or derivatives transactions that is subject to legislation and oversight by a central or regional government authority in the country of operation. The legislation or oversight regime must provide for or recognize the securities depository's or clearing agency's powers of compliance and enforcement over its members or participants. The Joint Regulatory Bodies will maintain and regularly update a list of those depositories and clearing agencies that comply with these criteria.

2. (a) Acceptable Institutions which in their normal course of business offer custodial security services; or

(b) Subsidiaries of Acceptable Institutions provided that each such subsidiary, together with the Acceptable Institution, has entered into a custodial agreement with the member containing a legally enforceable indemnity by the Acceptable Institution in favour of the Member covering all losses, claims, damages, costs and liabilities in respect of securities and other property held for the Member and its clients at the subsidiary's location.

3. Acceptable Counterparties - with respect to security positions maintained as a book entry of securities issued by the Acceptable Counterparty and for which the Acceptable Counterparty is unconditionally responsible.

4. Banks and Trust Companies otherwise classified as Acceptable Counterparties - with respect to securities for which they act as transfer agent and for which custody services are not being provided (in such case, a written custody agreement is not required).

5. Mutual Funds or their Agents - with respect to security positions maintained as a book entry of securities issued by the mutual fund and for which the mutual fund is unconditionally responsible.

6. Regulated entities.

7. Foreign institutions and securities dealers that satisfy the following criteria:

(a) the paid-up capital and surplus according to its most recent audited balance sheet is in excess of Cdn. $150 million as evidenced by the audited financial statements of such entity;

(b) in respect of which a foreign custodian certificate has been completed and signed in the prescribed form by the Member's board of directors or authorized committee thereof;

provided that:

(c) a formal application in respect of each such foreign location is made by the Member to the relevant joint regulatory authority in the form of a letter enclosing the financial statements and certificate described above; and

(d) the Member reviews each such foreign location annually and files a foreign custodian certificate with the appropriate joint regulatory authority annually.

and such other locations which have been approved as acceptable securities locations by the Joint Regulatory Body having prime jurisdiction over the Member.

(e) **"Basle Accord Countries"** means those countries that are members of the Basle Accord and those countries that have adopted the banking and supervisory rules set out in the Basle Accord. [The Basle Accord, which includes the regulating authorities of major industrial countries acting under the auspices of the Bank for International Settlements (B.I.S.), has developed definitions and guidelines that have become accepted standards for capital adequacy.] A list of current Basle Accord countries is included in the most recent list of Foreign Acceptable Institutions and Foreign Acceptable Counterparties.

(f) "**broad based index**" means an equity index whose underlying basket of securities is comprised of:

1. thirty or more securities;
2. the single largest security position by weighting comprises no more than 20% of the overall market value of the basket of equity securities;
3. the average market capitalization for each security position in the basket of equity securities underlying the index is at least $50 million;
4. the securities shall be from a broad range of industries and market sectors as determined by the Joint Regulatory Bodies to represent index diversification; and
5. in the case of foreign equity indices, the index is both listed and traded on an exchange that meets the criteria for being considered a recognized exchange, as set out in the definition of "regulated entities" in the General Notes and Definitions.

~~(g) **"market value of securities"** means:~~

1. ~~for listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on the exchange quotation sheets as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be, subject to an appropriate adjustment where an unusually large or unusually small quantity of securities is being valued. If not available, the last sale price of a board lot may be used. Where not readily marketable, no market value shall be assigned.~~
2. ~~for unlisted and debt securities, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or based on a reasonable yield rate. Where not readily marketable, no market value shall be assigned.~~
3. ~~for commodity futures contracts, the settlement price on the relevant date or last trading day prior to the relevant date.~~
4. ~~for money market fixed date repurchases (no borrower call feature), the market price is the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date. Exposure due to future changes in market conditions is covered by the margin rate.~~
5. ~~for money market open repurchases (no borrower call feature), prices are to be determined as of the reporting date or the date the commitment first becomes open, whichever is the later. Market price is to be determined as in 4. and commitment price is to be determined in the same manner using the yield stated in the repurchase commitment.~~
6. ~~for money market repurchases with borrower call features, the market price is the borrower call price.~~

~~(h) **"regulated entities"** means those entities with whom a Member may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are participating institutions in the Canadian Investor Protection Fund or members of recognized exchanges and associations. For the purposes of this definition recognized exchanges and associations mean those entities that meet the following criteria:~~

1. ~~the exchange or association maintains or is a member of an investor protection regime equivalent to the Canadian Investor Protection Fund;~~
2. ~~the exchange or association requires the segregation by its members of customers' fully paid for securities;~~
3. ~~the exchange or association rules set out specific methodologies for the segregation of, or reserve for, customer credit balances;~~
4. ~~the exchange or association has established rules regarding member firm and customer account margining;~~
5. ~~the exchange or association is subject to the regulatory oversight of a government agency or a self-regulatory organization under a government agency which conducts regular examinations of its members and monitors member's regulatory capital on an ongoing basis; and~~
6. ~~the exchange or association requires regular regulatory financial reporting by its members.~~

~~A list of current recognized exchanges and associations is included in the most recent list of Foreign Acceptable Institutions and Foreign Acceptable Counterparties.~~

~~(i) **"settlement date - extended"** shall mean a transaction (other than a mutual fund security redemption) in respect of which the arranged settlement date is a date after regular settlement date.~~

~~(j) **"settlement date - regular"** means the settlement date generally accepted according to industry practice for the relevant security in the market in which the transaction occurs, including foreign jurisdictions. For margin purposes, if such settlement date exceeds 15 business days past trade date, settlement date will be deemed to be 15 business days past trade date. In the case of **new issue trades**, regular settlement date means the contracted settlement date as specified for that issue.~~

## ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~
## ~~PART I – AUDITORS' REPORT~~

~~TO: The ________________________________ and the Canadian Investor Protection Fund~~
~~(applicable regulatory body)~~

~~We have audited the following Part I financial statements of ________________________________ :~~
~~(firm)~~

~~Statement A - Statements of assets and of liabilities and shareholder/partner capital as at ________________ (date) and ________________ (date);~~

~~Statement B - Statements of net allowable assets and risk adjusted capital as at ________________ (date) and ________________ (date);~~

~~Statement C - Statement of early warning excess and early warning reserve as at ________________ (date);~~

~~Statement D - Statement of free credit segregation amount as at ________________ (date);~~

~~Statement E - Summary statements of income for the years ended ________________ (date) and ________________ (date);~~

~~Statement F - Statement of changes in capital and retained earnings (corporations) or undivided profits (partnerships) for the year ended ________________ (date); and~~

~~Statement G - Statement of changes in subordinated loans for the year ended ________________ (date).~~

~~These financial statements have been prepared for the purpose of complying with the regulations, bylaws and policies of the ________________________________ (applicable regulatory body). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.~~

~~We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.~~

~~In our opinion,~~

~~(a)The statements of assets and of liabilities and shareholders/partner capital and the summary statements of income present fairly, in all material respects, the financial position of the Company as at ________________ (date) and ________________ (date) and the results of its operations for the years then ended in accordance with the basis of accounting disclosed in Note 2 to the financial statements.~~

~~(b)The statements of net allowable assets and risk adjusted capital as at~~ ______________________________
~~(date)~~

~~and~~ ______________________________ ~~and the statements of early warning excess and early~~
~~(date)~~

~~warning reserve, free credit segregation amount, changes in capital and retained earnings (corporations) or undivided profits (partnerships), and changes in subordinated loans, either as at or for the year ended~~ ______________________________ ~~are presented fairly, in all material respects, in accordance with the~~
~~(date)~~

~~applicable instructions of the~~ ______________________________ ~~.~~
~~(applicable regulatory body)~~

~~These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Company, the~~ ______________________________ ~~and the Canadian Investor Protection Fund to comply~~
~~(applicable regulatory body)~~

~~with the regulations, bylaws and policies of the~~ ______________________________ ~~. The~~
~~(applicable regulatory body)~~

~~financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.~~

______________________________
~~(auditing firm name)~~

______________________________
~~(date)~~

______________________________
~~(signature)~~

______________________________
~~(place of issue)~~

## ~~PART I - AUDITORS' REPORT~~
## ~~NOTES AND INSTRUCTIONS~~

~~A measure of uniformity in the form of the auditors' report is desirable in order to facilitate identification of circumstances where the underlying conditions are different. Therefore, when auditors are able to express an unqualified opinion, their report should take the form of the auditors' report shown above.~~

~~Alternate forms of Auditors' Reports are available either online from within the web-based Securities Industry Regulatory Financial Filings system (SIRFF) or from the Joint Regulatory Body with primary audit jurisdiction.~~

~~Any limitations in the scope of the audit must be discussed in advance with the appropriate regulatory authority. Discretionary scope limitations will not be accepted.~~

~~Copies with original signatures must be provided to the Joint Regulatory Body with primary audit jurisdiction.~~

# PART I
# JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT

______________________________

(Firm Name)

## STATEMENT OF ASSETS

(as at ____________________ with comparative figures as at ____________________)

| REFERENCE | | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|---|
| | LIQUID ASSETS: | | |
| 1. | Cash on deposit with Acceptable Institutions | $ | $ |
| 2. | Funds deposited in trust for RRSP and other similar accounts | | |
| 3. Stmt. D | Cash, held in trust with Acceptable Institutions, due to free credit ratio calculation | | |
| 4. | Variable base deposits and margin deposits with Acceptable Clearing Corporations *[cash balances only]* | | |
| 5. | Margin deposits with Regulated Entities *[cash balances only]* | | |
| 6. Sch.1 | Loans receivable, securities borrowed and resold | | |
| 7. Sch.2 | Securities owned - at market value | | |
| 8. Sch.2 | Securities owned and segregated due to free credit ratio calculation | | |
| 9. | Syndicate and joint trading accounts | | |
| 10. Sch.4 | Clients' accounts | | |
| 11. Sch.5 | Brokers and dealers trading balances | | |
| 12. | Receivable from carrying broker or mutual fund | | |
| 13. | TOTAL LIQUID ASSETS | | |
| | OTHER ALLOWABLE ASSETS (RECEIVABLES FROM ACCEPTABLE INSTITUTIONS): | | |
| 14. Sch.6 | Recoverable and overpaid income taxes | | |
| 15. | Recoverable and overpaid taxes | | |
| 16. | Commissions and fees receivable | | |
| 17. | Interest and dividends receivable | | |
| 18. | Other receivables *[attach details]* | | |
| 19. | TOTAL OTHER ALLOWABLE ASSETS | | |
| | NON ALLOWABLE ASSETS: | | |
| 20. | Other deposits with Acceptable Clearing Corporations *[cash or market value of securities lodged]* | | |
| 21. | Deposits and other balances with non-acceptable clearing corporations *[cash or market value of securities lodged]* | | |
| 22. | Commissions and fees receivable | | |
| 23. | Interest and dividends receivable | | |
| 24. | Fixed assets - at depreciated value | | |
| 25. | Stock exchange seats | | |
| 26. | Capitalized leases | | |
| 27. | Investments in and advances to subsidiaries and affiliates | | |
| 28. | Other assets *[attach details]* | | |
| 29. | TOTAL NON ALLOWABLE ASSETS | | |
| 30. | TOTAL ASSETS | $ | $ |

# ~~PART I~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

## ~~STATEMENT OF LIABILITIES AND SHAREHOLDER/PARTNER CAPITAL~~

~~(as at ______________ with comparative figures as at ______________)~~

| ~~REFERENCE~~ | | | ~~CURRENT YEAR~~ | ~~PREVIOUS YEAR~~ |
|---|---|---|---|---|
| | | ~~CURRENT LIABILITIES:~~ | | |
| ~~51.~~ | ~~Sch.7~~ | ~~Overdrafts, loans, securities loaned and repurchases~~ | ~~$~~ | ~~$~~ |
| ~~52.~~ | ~~Sch.2~~ | ~~Securities sold short - at market value~~ | | |
| ~~53.~~ | | ~~Syndicate and joint trading accounts~~ | | |
| ~~54.~~ | ~~Sch.4~~ | ~~Clients' accounts~~ | | |
| ~~55.~~ | ~~Sch.5~~ | ~~Brokers and dealers~~ | | |
| ~~56.~~ | ~~Sch.6~~ | ~~Income taxes payable~~ | | |
| ~~57.~~ | ~~Sch.6~~ | ~~Deferred income taxes - current portion~~ | | |
| ~~58.~~ | | ~~Bonuses payable~~ | | |
| ~~59.~~ | | ~~Accounts payable and accrued expenses~~ | | |
| ~~60.~~ | | ~~Capitalized leases and lease-related liabilities - current portion~~ | | |
| ~~61.~~ | | ~~Other current liabilities *[attach details]*~~ | | |
| ~~62.~~ | | ~~TOTAL CURRENT LIABILITIES~~ | | |
| | | ~~LONG TERM LIABILITIES:~~ | | |
| ~~63.~~ | ~~Sch.6~~ | ~~Non-current portion of deferred income taxes~~ | | |
| ~~64.~~ | | ~~Non-current portion of capitalized leases and lease-related liabilities~~ | | |
| ~~65.~~ | | ~~Other long-term liabilities *[attach details]*~~ | | |
| ~~66.~~ | | ~~TOTAL LONG-TERM LIABILITIES~~ | | |
| ~~67.~~ | | ~~TOTAL LIABILITIES *[line 62 plus line 66]*~~ | | |
| | | ~~FINANCIAL STATEMENT CAPITAL:~~ | | |
| ~~68.~~ | | ~~Non-current portion of capitalized leases qualifying as capital *[see note]*~~ | | |
| ~~69.~~ | ~~G-6~~ | ~~Subordinated loans - approved non-industry investors~~ | | |
| ~~70.~~ | ~~G-6~~ | ~~Subordinated loans - industry investors~~ | | |
| ~~71.~~ | ~~F-A-3~~ | ~~Capital~~ | | |
| ~~72.~~ | ~~F-C-3~~ | ~~Retained earnings or undivided profits~~ | | |
| ~~73.~~ | | ~~TOTAL FINANCIAL STATEMENT CAPITAL~~ | | |
| ~~74.~~ | | ~~TOTAL LIABILITIES AND CAPITAL~~ | ~~$~~ | ~~$~~ |

# ~~PART I~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

**~~NOTES TO THE FINANCIAL STATEMENTS~~**
**~~[to be provided at both audit date and interim date]~~**

~~**Notes to the financial statements** - Any notes which may be necessary for the fair presentation of the financial statements in accordance with generally accepted accounting principles and which are not contained in the supporting schedules must be attached as page 3 to Statement A, including without limitation:~~

- ~~Significant accounting policies;~~
- ~~Subsequent events (which are not otherwise disclosed) to the date of filing, which have a material effect on the firm's financial position and risk adjusted capital;~~
- ~~Obligations under letters of credit;~~
- ~~Outstanding legal claims which are likely to result in a material adverse effect on the firm's financial position and risk adjusted capital;~~
- ~~Related party transactions, detailing by type of transaction the amount and parties involved, for all such transactions;~~
- ~~Description of authorized and issued share capital and subordinated loans;~~
- ~~Lease commitments; and~~
- ~~Any other significant commitments or contingencies not otherwise disclosed.~~

## ~~STATEMENT A~~
## ~~NOTES AND INSTRUCTIONS~~
~~*[comparative figures to be completed at audit date only]*~~

~~**Line 2** - The trustee(s) for RRSP or other similar accounts must qualify as an Acceptable Institution and such accounts must be insured by the Canada Deposit Insurance Corporation (CDIC) or Autorité des marchés financiers (AMF) to the full extent insurance is available. If not, then the Member must report 100% of the balance held in trust as non-allowable assets on line 28. RRSP and other similar balances held at such trustee(s), but for which CDIC or the AMF insurance is not available such as foreign currency accounts, can be classified as allowable assets. The name(s) of RRSP trustee(s) used by the Member must also be provided on Schedule 4.~~

~~**Line 4** - For definition of Acceptable Clearing Corporations, see General Notes and Definitions.~~

~~**Line 5** - For definition of Regulated Entities, see General Notes and Definitions.~~

~~**Lines 4 and 5** - Securities on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on line 11 of Schedule 2. This also includes securities on deposit with carrying brokers.~~

~~**Line 12** - In the case of introducing brokers (pursuant to an approved introducing/carrying broker agreement) unsecured balances receivable from their carrying brokers, such as net commissions and deposits in the form of cash, should be reported on this line. Unsecured balances should only be included to the extent they are not being used by the carrying broker to reduce client margin requirements. Securities on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on line 11 of Schedule 2.~~

~~In the case of the salesperson's portion of commissions and fees receivable, as recorded on line 22, to the extent that there is written documentation that the broker does not have a liability to pay the salespersons' commission until it is received, the salespersons' portion of the commission receivable is an allowable asset.~~

~~**Lines 14 through 18** - Include only to extent receivable from Acceptable Institutions (for definition see General Notes and Definitions).~~

~~**Line 14** - Include **only** overpayment of prior years' income taxes or current year installments. Taxes recoverable due to current year losses may be included to the extent that they can be carried back and applied against taxes previously paid. This line should not include deferred tax debits arising from losses carried forward.~~

~~**Line 15** - Include GST receivables, capital tax, Part VI tax, sales and property taxes.~~

~~**Line 19** - Allowable assets are those assets which due to their nature, location or source are either readily convertible into cash or from such creditworthy entities as to be allowed for capital purposes.~~

~~**Line 20** - Report the cash or market value of securities lodged with Acceptable Clearing Corporations which represent fixed base deposits.~~

~~**Line 21** - To the extent receivable from other than Acceptable Clearing Corporations, include all deposits whether margin deposits or variable and fixed base deposits.~~

~~**Lines 22 and 23** - To the extent receivable from parties other than Acceptable Institutions.~~

~~**Line 28** - Including but not limited to such items as:~~

- ~~prepaid expenses~~
- ~~deferred income tax debits~~
- ~~cash surrender value of life insurance~~
- ~~intangibles~~
- ~~deferred charges~~
- ~~advances to employees~~
- ~~other receivables from other than Acceptable Institutions~~
- ~~cash on deposit with non Acceptable Institutions~~

~~**Line 29** - Non allowable assets means those assets which do not qualify as allowable assets.~~

~~**Line 58** - Include discretionary bonuses payable and bonuses payable to shareholders in accordance with share ownership.~~

~~**Line 60** - Include current portion of deferred lease inducements.~~

~~**Line 61** - Include unclaimed dividends and interest.~~

~~**Line 68** - In those cases where it can be demonstrated that the leasehold inducement presents no additional liability to the Member firm (i.e. if the Member firm does not "owe" the unamortized portion of the inducement back to the landlord, thereby qualifying the landlord as a creditor of the Member firm), the non-current portion can be reported as capital on this line.~~

~~**Line 71** - Include contributed surplus, if applicable.~~

# PART I

# JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT

______________________________

(Firm Name)

## STATEMENT OF NET ALLOWABLE ASSETS AND RISK ADJUSTED CAPITAL

(as at ____________________ with comparative figures as at ____________________)

| REFERENCE | | CURRENT YEAR | PREVIOUS YEAR |
|---|---|---|---|
| 1. A-73 | Total financial statement capital | $_________ | $_________ |
| 2. A-29 | **Deduct:** Non allowable assets | _________ | _________ |
| 3. | NET ALLOWABLE ASSETS | $_________ | $_________ |
| 4. | **Deduct:** Minimum capital | _________ | _________ |
| 5. | SUBTOTAL | _________ | _________ |
| | **Deduct - amounts required to fully margin:** | | |
| 6. Sch.1 | Loans receivable, securities borrowed and resold | _________ | _________ |
| 7. Sch.2 | Securities owned and sold short | _________ | _________ |
| 8. Sch.2A | Underwriting concentration | _________ | _________ |
| 9. | Syndicate and joint trading accounts *[attach details]* | _________ | _________ |
| 10. Sch.4 | Clients' accounts | _________ | _________ |
| 11. Sch.5 | Brokers and dealers | _________ | _________ |
| 12. Sch.7 | Loans and repurchases | _________ | _________ |
| 13. | Contingent liabilities *[attach details]* | _________ | _________ |
| 14. Sch.10 | Financial institution bond deductible *[greatest under any clause]* | _________ | _________ |
| 15. Sch.11 | Unhedged foreign currencies | _________ | _________ |
| 16. Sch.12 | Commodity futures contracts | _________ | _________ |
| 17. Sch.14 | Provider of capital concentration charge | _________ | _________ |
| 18. | Securities held at non-acceptable securities locations *[see note]* | _________ | _________ |
| 19. Sch.7A | Acceptable Counterparties Financing Activities Concentration Charge | _________ | _________ |
| 20. | Unresolved differences *[attach details]* | _________ | _________ |
| 21. | Other *[attach details]* | _________ | _________ |
| 22. | TOTAL MARGIN REQUIRED *[lines 6 through 21]* | _________ | _________ |
| 23. | SUBTOTAL *[line 5 less line 22]* | _________ | _________ |
| 24. Sch.6A | **Add:** Applicable tax recoveries | _________ | _________ |
| 25. | Risk Adjusted Capital before securities concentration charge *[line 23 plus line 24]* | _________ | _________ |
| 26. Sch.9 Sch.6A | **Deduct:** Securities concentration charge of _________ less tax recoveries of _________ | _________ | _________ |
| 27. | RISK ADJUSTED CAPITAL *[line 25 less line 26]* | $_________ | $_________ |

# ~~PART I~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

______________________

~~(Firm Name)~~

## ~~Statement B – Line 20: Details of Unresolved Differences~~

| | ~~Reconciled as at Report Date (Yes/No)~~ | ~~Number of items~~ | ~~Debit/Short value (Potential Losses)~~ | ~~Number of items~~ | ~~Credit/Long value (Potential Gains)~~ | ~~Required to margin~~ |
|---|---|---|---|---|---|---|
| ~~(a)Clearing~~ | | | | | | |
| ~~(b)Brokers and dealers~~ | | | | | | |
| ~~(c)Bank accounts~~ | | | | | | |
| ~~(d)Intercompany accounts~~ | | | | | | |
| ~~(e)Mutual Funds~~ | | | | | | |
| ~~(f)Security Counts~~ | | | | | | |
| ~~(g)Other unreconciled differences~~ | | | | | | |
| ~~TOTAL~~ | | | | | | ~~Statement B Line 20~~ |

**~~STATEMENT B~~**
**~~NOTES AND INSTRUCTIONS~~**

~~EACH MEMBER SHALL HAVE AND MAINTAIN AT ALL TIMES RISK ADJUSTED CAPITAL IN AN AMOUNT NOT LESS THAN ZERO.~~

**~~Line 4 – Minimum Capital~~**

~~"Minimum capital" is $250,000 ($75,000 for Type 1 introducing brokers).~~

**~~Line 9 – Syndicate and joint trading accounts~~**

~~This line should include margin requirement for syndicate accounts where the firm is the lead underwriter and joint trading accounts. If the firm has "drawn down" a portion of the new issue positions from the syndicate account to its inventory accounts, those portions should be disclosed as firm's inventory and be included in Schedules 2 and possibly 2B. If the firm is not the lead underwriter but a Banking Group member, margin requirement should be reported on Schedule 2.~~

~~If the other syndicate member is a Regulated Entity, a related company of the Member firm, or an Acceptable Institution, then no margin need be provided by the firm. In the case of an Acceptable Counterparty the amount of margin to be provided,~~ **~~commencing on regular settlement date~~** ~~(i.e. the contracted settlement date as specified for that issue), shall be the equity deficiency of (a) the net market value of all settlement date security positions in the entity's accounts and (b) the net money balance on a settlement date basis in the same accounts. For all other parties the amount of margin to be provided by the firm,~~ **~~commencing on regular settlement date,~~** ~~shall be the margin deficiency, if any, that exists in the account.~~

**~~Line 13 – Contingent liabilities~~**

~~No firm may give, directly or indirectly, by means of a loan, guarantee, the provision of security or of a covenant or otherwise, any financial assistance to an individual and/or corporation unless the amount of the loan, guarantee, provision of security or of the covenant or any other assistance is limited to a fixed or determinable amount and the amount is provided for in computing Risk Adjusted Capital. The margin required shall be the amount of the loan, guarantee, etc. less the loan value of any accessible collateral, calculated in accordance with the rules and regulations of the Joint Regulatory Bodies. A guarantee of payment is not acceptable collateral to reduce margin required.~~

~~Details of the margin calculations for contingencies such as guarantees or returned cheques should be provided as an attachment to this Statement.~~

**~~Line 18 – Securities held at non-acceptable securities locations~~**

~~Capital Requirements~~

~~In general, the capital requirements for securities held in custody at another entity are as follows:~~

~~(i)Where the entity qualifies as an acceptable securities location, there shall be no capital requirement, provided there are no unresolved differences between the amounts reported on the books of the entity acting as custodian and the amounts reported on the books of the Member firm. The capital requirements for unresolved differences are discussed separately in the notes and instructions for the completion of Statement B, Line 20 below.~~

~~(ii)Where the entity does not qualify as an acceptable securities location, the entity shall be considered a non-acceptable securities location and the Member firm shall be required to deduct 100% of the market value of the securities held in custody with the entity in the calculation of its Risk Adjusted Capital.~~

~~However, there is one exception to the above general requirements. Where the entity would otherwise qualify as an acceptable securities location except for the fact that the Member firm has not entered into a written custodial agreement with the entity, as required by the by-laws, rules and regulations of the Joint Regulatory Authorities, the capital requirement shall be determined as follows:~~

~~(a)Where setoff risk with the entity is present, the Member firm shall be required to deduct the lesser of:~~

~~(I)100% of the setoff risk exposure to the entity; and~~

~~(II)100% of the market value of the securities held in custody with the entity;~~

~~in the calculation of its Risk Adjusted capital;~~

~~and;~~

~~(b)The Member firm shall be required to deduct 10% of the market value of the securities held in custody with the entity in the calculation of its Early Warning Reserve.~~

~~The sum of the requirements calculated in paragraphs (a) and (b) above shall be no greater than 100% of the market value of the securities held in custody with the entity. Where the sum amounts initially calculated in paragraphs (a) and (b) above are greater than 100%, the capital required under paragraph (b) and the amount reported as a deduction in the calculation of the Early Warning Reserve shall be reduced accordingly.~~

~~For the purposes of determining the capital requirement detailed in paragraph (a) above, the term "setoff risk", shall mean the risk exposure that results from the situation where the Member firm has other transactions, balances or positions with the entity, where the resultant obligations of the Member firm might be setoff again the value of the securities held in custody with the entity.~~

~~Client Waiver~~

~~Where the laws and circumstances prevailing in a foreign jurisdiction may restrict the transfer of securities from the jurisdiction and the Member is unable to arrange for the holding of client securities in the jurisdiction at an acceptable securities location, the Member may hold such securities at a location in that jurisdiction if (a) the Member has entered into a written custodial agreement with the location as required hereunder and (b) the client has consented to the arrangement, acknowledged the risks and waived any claims it may have against the Member, in a form approved by the Joint Regulatory Authority. Such a consent and waiver must be obtained on a transaction by transaction basis.~~

~~**Line 20 – Unresolved Differences**~~

~~Items are considered unresolved unless:~~

~~(i)a written acknowledgement from the counterparty of a valid claim has been received~~
~~(ii) a journal entry to resolve the difference has been processed as of the Due Date of the questionnaire.~~

~~This does not include journal entries writing off the difference to profit or loss in the period subsequent to the date of the questionnaire.~~

~~Provision should be made for the market value and margin requirements at the questionnaire date on out of balance short securities and other adverse unresolved differences (e.g. with banks, trust companies, brokers, clearing corporations), still unresolved as at a date one month subsequent to the questionnaire date or other applicable Due Date of the questionnaire.~~

~~The margin rate to be used is the one that is appropriate for inventory positions. For instance, if the calculation is for securities eligible for reduced margin, the margin rate is 25%, rather than 30%.~~

~~A separate schedule, in a form approved by the Joint Regulatory Authority, must be prepared detailing all unresolved differences as at the report date.~~

~~The following guidelines should be followed when calculating the required to margin amount on unresolved items:~~

| ~~***Type of Unresolved Difference***~~ | ~~***Amount Required to Margin***~~ |
|---|---|
| ~~Money balance credit (potential gains)~~<br>~~debit (potential losses)~~ | ~~None~~<br>~~Money balance~~ |
| ~~Unresolved Long with Money on the Member's Book~~ | ~~[(Money Balance on the trade minus market value of the security)* plus the applicable inventory margin]~~ |
| ~~Unresolved Long without Money on the Member's Books~~ | ~~None~~ |
| ~~Unresolved Short with Money on the Member's Books~~ | ~~[(Market value of the security minus money balance on the trade)* plus the applicable inventory margin]~~ |
| ~~Unresolved Long/Short on the Other Broker's Books~~ | ~~None~~ |
| ~~Short Security Break (e.g. Mutual Funds, Stock Dividends) or Unresolved Short without Money on the Member's Books~~ | ~~[Market value of the security plus the applicable inventory margin]~~ |

~~* also referred to as the Mark to Market Adjustment.~~

~~Where mutual fund positions are not reconciled on a monthly basis, margin shall be provided equal to a percentage of the market value of such mutual funds held on behalf of clients. Where no transactions in the mutual fund, other than redemptions and transfers, have occurred for at least six months and no loan value has been associated with the mutual fund, the percentage shall be 10%. In all other cases, the percentage shall be 100%.~~

## ~~STATEMENT B~~
## ~~NOTES AND INSTRUCTIONS (Cont'd)~~

~~**Unresolved Differences in Accounts:** Report all differences determined on or before the report date that have not been resolved as of the due date.~~

~~**Month End**~~ ~~**Month End + 20 Business Days**~~

~~(Report date)~~ ~~(Due date)~~

~~**Include** differences determined on or before the report date that have not been resolved as of the due date.~~

~~**Do not include** differences as of the report date that have been resolved on or before the due date.~~

~~For each account listed, set out the number of unresolved differences and the money value of both the debit and credit differences. The Debit/Short value column includes money differences and market value of security differences, which represent a potential loss. The Credit/Long value column includes money differences and market value of security differences, which represent a potential gain. In determining the potential gain or loss, the money balance and the security position market value of the same transaction should be netted. Debit/short and credit/long balances of different transactions cannot be netted.~~

~~All reconciliation must be properly documented and made available for review by the Vice-President, Financial Compliance and Member's Auditor.~~

~~**Unresolved differences in Security Counts:** Report all security count differences determined on or before the report date that have not been resolved as of due date. The amount required to margin is the market value of short security differences plus the applicable inventory margin.~~

~~**Line 21 – Other**~~

~~This item should include all margin requirements not mentioned above as outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies and the Canadian Investor Protection Fund.~~

~~DATE:~~ ____________________ ~~STATEMENT C~~

## ~~PART I~~
## ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

____________________________________________

~~(Firm Name)~~

### ~~STATEMENT OF EARLY WARNING EXCESS AND EARLY WARNING RESERVE~~

| ~~**REFERENCE**~~ | | ~~**CURRENT YEAR**~~ |
|---|---|---|
| ~~1. B-27~~ | ~~RISK ADJUSTED CAPITAL~~ | ~~$__________~~ |
| ~~2.~~ | ~~LIQUIDITY ITEMS -~~ | |
| | ~~**DEDUCT:**~~ | |
| ~~A-19~~ | ~~(a) Other allowable assets~~ | ~~_________~~ |
| ~~Sch.6A~~ | ~~(b) Tax recoveries~~ | ~~_________~~ |
| | ~~(c) Securities held at non-acceptable securities locations~~ | ~~_________~~ |
| | ~~**ADD:**~~ | |
| ~~A-66~~ | ~~(d) Long term liabilities~~ | ~~_________~~ |
| ~~Sch.6A~~ | ~~(e) Tax recoveries - income accruals~~ | ~~_________~~ |
| ~~3.~~ | ~~EARLY WARNING EXCESS~~ | ~~$__________~~ |
| ~~4.~~ | ~~**DEDUCT:** CAPITAL CUSHION -~~ | |
| ~~B-22~~ | ~~Total margin required $_________ multiplied by 5%~~ | ~~$_________~~ |
| ~~5.~~ | ~~EARLY WARNING RESERVE *[line 3 less line 4]*~~ | ~~$__________~~ |

## ~~STATEMENT C~~
## ~~NOTES AND INSTRUCTIONS~~

~~The Early Warning system is designed to provide advance warning of a Member firm encountering financial difficulties. It will anticipate capital shortages and/or liquidity problems and encourage firms to build a capital cushion.~~

~~**Line 1** - If Risk Adjusted Capital of the firm is less than:~~

~~(a) 5% of total margin required (line 4 above), then the firm is designated as being in Early Warning category **Level 1**, or~~

~~(b) 2% of total margin required (line 4 above), then the firm is designated as being in Early Warning category **Level 2**,~~

~~and the applicable sanctions outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies and the Canadian Investor Protection Fund will apply.~~

~~**Lines 2(a) and (b)** - These items are deducted from RAC because they are illiquid or the receipt is either out of the firm's control or contingent.~~

~~**Line 2(c)** – Pursuant to the Notes and Instructions for the completion of Statement B, Line 18, where the entity would otherwise qualify as an acceptable securities location except for the fact that the Member firm has not entered into a written custodial agreement with the entity, as required by the by-laws, rules and regulations of the Joint Regulatory Authorities, the Member firm will be required to deduct an amount up to 10% of the market value of the securities held in custody with the entity, in the calculation of its Early Warning Reserve. Please refer to the detailed calculation formula set out to the Notes and Instructions for the completion of Statement B, Line 18 to determine the capital requirement to be reported on Line 2(c).~~

~~**Line 2(d)** – Long term liabilities are added back to RAC as they are not current obligations of the firm and can be used as financing.~~

~~**Line 2(e)** - This add back ensures that the firm is not penalized at the Early Warning level for accruing income. The net result is that the firm is in the same position as if the revenue were treated on a cash basis.~~

~~**Line 3** - If Early Warning Excess is negative, the firm is designated as being in Early Warning category **Level 2** and the sanctions outlined in the applicable bylaws, rules and regulations of the Joint Regulatory Bodies and the Canadian Investor Protection Fund will apply.~~

~~**Line 5** - If the Early Warning Reserve is negative, the firm is designated as being in Early Warning category **Level 1** and the sanctions outlined in the applicable bylaws, rules and regulations of the Joint Regulatory Bodies and the Canadian Investor Protection Fund will apply.~~

# ~~PART I~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

## ~~STATEMENT OF FREE CREDIT SEGREGATION AMOUNT~~
~~(as at ______________________________)~~

~~REFERENCE~~

**~~AMOUNT REQUIRED TO SEGREGATE:~~**

| | | | |
|---|---|---|---|
| ~~1.~~ | ~~B-3~~ | ~~Net allowable assets of $________ multiplied by 8~~ | ________ |
| ~~2.~~ | ~~C-5~~ | ~~Early warning reserve of $________ multiplied by 4~~ | ________ |
| ~~3.~~ | | ~~FREE CREDIT LIMIT~~ *~~[lines 1 plus 2]~~* | ~~$__________~~ |
| ~~4.~~ | ~~Sch.4~~ | **~~Less client free credit balances:~~** ~~(a) Firm's own~~ *~~[see note]~~* | ________ |
| | | ~~(b) Carried For Type 3 Introducers~~ | ________ |
| ~~5.~~ | | ~~AMOUNT REQUIRED TO SEGREGATE~~ *~~[NIL if line 3 exceeds line 4a plus 4b, see note]~~* | ~~($__________)~~ |
| | | **~~AMOUNT IN SEGREGATION:~~** | |
| ~~6.~~ | ~~A-3~~ | ~~Client funds held in trust in an account with an Acceptable Institution~~ *~~[see note]~~* | ________ |
| ~~7.~~ | ~~Sch.2~~ | ~~Market value of securities owned and in segregation~~ *~~[see note]~~* | ________ |
| ~~8.~~ | | ~~TOTAL IN SEGREGATION~~ *~~[lines 6 plus 7]~~* | ~~$__________~~ |
| ~~9.~~ | | ~~NET SEGREGATION EXCESS (DEFICIENCY)~~ *~~[lines 5 plus 8, see note]~~* | ~~$__________~~ |

**~~NOTES:~~**

~~**Line 3** - If negative, then line 5 equals line 4, i.e. Member firm is required to segregate 100% of client free credits.~~

~~**Line 4** - Free credit balances in RRSP and other similar accounts should not be included. Refer to Schedule 4 - Notes and Instructions for discussion of trade versus settlement date reporting of free credit balances. For purposes of this statement a free credit is:~~

~~(a) For cash and margin accounts - the credit balance less an amount equal to the aggregate of the market value of short positions and regulatory margin on those shorts.~~

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

~~**Line 5** - If Nil, no further calculation on this Statement need be done.~~

~~**Line 6** - The trust must be an obligation binding the Member firm (the trustee) to deal with the free credits over which it has control (the trust property), for the benefit of the client (the beneficiary). The trust property must be clearly identified as such even if residing with an Acceptable Institution.~~

~~FUNDS HELD IN TRUST FOR RRSP AND OTHER SIMILAR ACCOUNTS ARE NOT TO BE INCLUDED IN THIS CALCULATION.~~

~~**Line 7** - The securities to be included are bonds, debentures, treasury bills and other securities with a term of 1 year or less, of or guaranteed by the Government of Canada or 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 party to the Basle Accord) which are segregated and held separate and apart as the Member firm's property.~~

~~**Line 9** - If negative, then a segregation deficiency exists, and the Member firm shall expeditiously take the most appropriate action required to settle the segregation deficiency. The Member firm should attach an explanation of how the deficiency was corrected as well as the date of correction.~~

## ~~PART I~~
## ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

### ~~SUMMARY STATEMENT OF INCOME FOR THE PERIOD ENDED~~ ____________

*~~[with comparative figures for the year /month ended ____________]~~*

| | | ~~CURRENT YR/MO~~ | ~~PREVIOUS YR/MO~~ |
|---|---|---|---|
| **~~COMMISSION REVENUE~~** | | | |
| ~~1~~ | ~~Listed Canadian securities~~ | ~~$~~ | ~~$~~ |
| ~~2~~ | ~~Other securities~~ | | |
| ~~3~~ | ~~Mutual funds~~ | | |
| ~~4~~ | ~~Listed Canadian options~~ | | |
| ~~5~~ | ~~Other options~~ | | |
| ~~6~~ | ~~Listed Canadian futures~~ | | |
| ~~7~~ | ~~Other futures~~ | | |
| **~~PRINCIPAL REVENUE~~** | | | |
| ~~8~~ | ~~Listed Canadian options and related underlying securities~~ | | |
| ~~9~~ | ~~Other Equities and options~~ | | |
| ~~10~~ | ~~Bonds~~ | | |
| ~~11~~ | ~~Futures~~ | | |
| ~~12~~ | ~~Money market~~ | | |
| **~~CORPORATE FINANCE REVENUE~~** | | | |
| ~~13 (a)~~ | ~~New issues - equity~~ | | |
| ~~13 (b)~~ | ~~New issues - debt~~ | | |
| ~~13 (c)~~ | ~~Corporate advisory fees~~ | | |
| **~~OTHER REVENUE~~** | | | |
| ~~14~~ | ~~Net interest~~ | | |
| ~~15~~ | ~~Fees~~ | | |
| ~~16~~ | ~~Other~~ | | |
| ~~17~~ | ~~TOTAL REVENUE~~ | | |
| **~~EXPENSES~~** | | | |
| ~~18~~ | ~~Variable compensation~~ | | |
| ~~19~~ | ~~Bad debt expense (recoveries)~~ | | |
| ~~20~~ | ~~Interest on subordinated debt~~ | | |
| ~~21~~ | ~~Unusual items *[attach details]*~~ | | |
| ~~22~~ | ~~Operating expenses other than lines 24, 25, 26 & 27~~ | | |
| ~~23~~ | ~~Profit [loss] before lines 24, 25, 26 & 27~~ | | |
| ~~24~~ | ~~Interest on internal subordinated debt~~ | | |
| ~~25~~ | ~~Bonuses~~ | | |
| ~~26 S 6(5)~~ | ~~Provision for (recovery of) income taxes~~ | | |
| | ~~(a) current~~ | | |
| | ~~(b) deferred~~ | | |
| ~~27~~ | ~~Extraordinary items *[attach details]*~~ | | |
| ~~28~~ | ~~NET PROFIT [LOSS] FOR PERIOD~~ | ~~$~~ | ~~$~~ |
| | | ~~F C 2(a)~~ | |

**~~NOTE: COMPLETE LINES 29 TO 31 ALSO IF FILING A MONTHLY REPORT~~**

| | | | |
|---|---|---|---|
| ~~29~~ | ~~Dividends paid or partners drawings~~ | | |
| ~~30~~ | ~~Other *[attach details]*~~ | | |
| ~~31~~ | ~~NET CHANGE TO RETAINED EARNINGS *[lines 28 to 30]*~~ | ~~$~~ | ~~$~~ |

## ~~STATEMENT E~~
## ~~NOTES AND INSTRUCTIONS~~

~~A comparative statement of income prepared in accordance with generally accepted accounting principles and containing at least the information shown in the pre-printed Statement E may be substituted. It should be affixed to the statement provided.~~

~~**It is recognized that the components of the revenue and expense classification on this statement may vary between firms. However, it is important that each firm be consistent between periods except where approved by the appropriate authority.** Fair presentation may require the separate disclosure of additional large and/or unusual items by way of a note to this statement.~~

~~**Lines**~~

~~1-7. All **Commission Revenue** should be reported net of payouts to other brokers. Commission paid to registered representatives should be shown on line 18. Commissions earned on soft dollar deals should also be included on lines 1 to 7.~~

~~1. Includes all gross commissions earned on listed Canadian securities [TSE, ME, CDNX, Winnipeg] less amounts paid out to any brokers. Options commission should go on lines 4 or 5.~~

~~2.Includes gross commissions earned on OTC transactions [equity or debt, foreign or Canadian], rights and offers, and other foreign securities, **less** amounts paid out to any brokers. Report Money Market commissions on line 12.~~

~~3.Includes all gross commissions and trailer fees earned on mutual fund transactions, net of any payouts to the mutual funds.~~

~~4.Includes all gross commissions earned on listed option contracts cleared through the Canadian Derivatives Clearing Corporation ("CDCC").~~

~~5.Includes gross commissions on Canadian OTC, and foreign option transactions **less** amounts paid out to any brokers.~~

~~6.Includes all gross commissions earned on listed futures contracts cleared through the CDCC.~~

~~7.Includes all gross commissions earned on foreign listed futures contracts as well as all over-the-counter futures contracts.~~

~~8.Includes all principal revenue [trading profits/losses including dividends and interest] from listed options cleared through CDCC and related underlying security transactions in market makers' and firms' inventory accounts. An interest carry factor is to be included. Include adjustment of inventories to market value.~~

~~9.Includes all principal revenue [trading profits/losses including dividends and interest] from all other options and equities except those indicated on line 8. An interest carry factor is to be included. Include adjustment of inventories to market value.~~

~~10.Includes revenue [trading profits/losses] on all bonds, e.g. all Canada's, Provincial's, Municipal's, Corporate's, Euro-Bond's, US, UK and other foreign debt instruments, **net of interest carry** [coupon revenue less financing cost]. The cost of carry rate should be an actual cost of funds, which can be calculated as a weighted average. The cost of carrying short inventory should be the actual coupon, offset as appropriate by interest savings less applicable bond borrow fees when short inventory is borrowed. Revenues from financial futures used to hedge bond positions should also be shown here. Include any adjustment of inventories to market value. Over-certification costs should be included on line 22.~~

~~11.Includes all principal revenue [trading profits/losses] on futures contracts excluding those relating to bond trading *[line 10]* and money market trading *[line 12]*.~~

~~12.Includes revenue on all money market activities **net of interest carry** in the area of Canadian and US Treasury Bills, Bankers Acceptance, Bank Paper [domestic and foreign], Municipal and Commercial paper. The cost of carry rate should be an actual cost of funds money market rate, which can be calculated as a weighted average. Discount notes should be amortized on a yield to maturity method. Interest revenues and expenses on repurchase and resale agreements should be accrued on a monthly basis. Include any adjustment of inventories to market value. Money Market commissions should also be shown here. As well, revenues from futures contracts used to hedge money market positions should be included.~~

~~13(a). Includes revenue relating to equity new issue business - Underwriting and/or management fees, Banking group profits, Private Placement fees, trading profits on new issue inventories [trading on an "if, as and when basis"], selling group spreads and/or commissions, convertible debts, and Syndicate expenses [unless treated as a prepaid asset].~~

~~13(b). Includes revenue relating to debt new issue business - Corporate and government issues, and CBS commissions [net of sub-agent fees].~~

~~13(c). Includes revenue relating to corporate advisory fees such as corporate restructuring, privatization, M&A fees.~~

~~14. Includes all interest revenue, which is not otherwise related to a specific liability trading activity [i.e. other than bond, money market, futures and options]. All interest revenue and the related interest cost of carrying account balances for retail and institutional accounts should be reported on a net basis on this line.~~

~~15. Includes Proxy fees, Portfolio service fees, Segregation and/or Safekeeping fees, RRSP fees, and any charges to clients that are not related to commission or interest.~~

~~16. Includes foreign exchange profits/losses and all other revenue not reported above.~~

~~18. This category should include commissions, bonuses and other variable compensation of a contractual nature. Examples would encompass commission payouts to RR's and payments to institutional and professional trading personnel. Discretionary bonuses should be included on line 25. All contractual bonuses should be accrued monthly and included on line 18.~~

~~20. Includes all interest on external subordinated debt, as well as non-discretionary contractual interest on internal subordinated debt.~~

~~21. Unusual items are items that have some but not all of the characteristics of extraordinary items *[line 27]*. An example of an unusual item may include costs associated with a branch closure.~~

~~22. Includes all operating expenses (including those related to soft dollar deals) except those mentioned elsewhere: Syndicate expenses *[line 13(a)]*, variable compensation *[line 18]*, and discretionary bonuses *[line 25]*.~~

~~24. Includes interest on subordinated debt with related parties and other industry investors for which the interest charges can be waived if required.~~

~~25. This category should include discretionary bonuses and all bonuses to shareholders in accordance with share ownership. However, please read the instructions for line 18 before completing.~~

~~26. Includes ONLY income taxes. Realty and capital taxes should be included in line 22. Taxes at 33-1/3% on partnership profits should be disclosed on this line. The current provision should be net of loss carryforwards, the details of which should be disclosed on Schedule 6.~~

~~27. Extraordinary items have the following characteristics:~~

~~(a) they are not expected to occur frequently over several years;~~

~~(b) they do not typify normal business activities; and~~

~~(c) they do not depend primarily on decisions or determinations by management.~~

~~They should be reported net of tax. An example of an extraordinary item would include the destruction of a company's uninsured art collection by fire.~~

~~30. Includes only direct charges or credits to retained earnings that are capital transactions (e.g. premium on share redemptions), income of a subsidiary accounted for by the equity method and prior period adjustments. Any adjustment(s) required to reconcile the MFR's retained earnings to the JRFQ&R's should be posted to the individual Statement E line items on the first MFR that is filed after the adjustment(s) is known.~~

# ~~PART I~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

______________________________________

~~(Firm Name)~~

## ~~STATEMENT OF CHANGES IN CAPITAL AND RETAINED EARNINGS (CORPORATIONS) OR UNDIVIDED PROFITS (PARTNERSHIPS) FOR THE YEAR ENDED~~ ______________________

| ~~REFERENCE~~ | | ~~CURRENT YEAR~~ |
|---|---|---|
| ~~A.~~ | ~~**CHANGES IN CAPITAL**~~ | |
| ~~1.~~ | ~~Balance at last year-end~~ | ~~$~~ |
| ~~2.~~ | ~~Increases (Decreases) during period *[provide details]*~~ | |
| | ~~(a)~~ | |
| | ~~(b)~~ | |
| | ~~(c)~~ | |
| ~~3.~~ | ~~Present capital~~ | ~~$~~ |
| | | ~~A-71~~ |
| ~~B.~~ | ~~**ANALYSIS OF PRESENT CAPITAL** *[see note 1]*~~ | |
| ~~1.~~ | ~~(a)~~ | ~~$~~ |
| | ~~(b)~~ | |
| | ~~(c)~~ | |
| | ~~To agree with line 3 above~~ | ~~$~~ |
| ~~C.~~ | ~~**RETAINED EARNINGS [CORPORATIONS] OR UNDIVIDED PROFITS [PARTNERSHIPS]**~~ | |
| ~~1.~~ | ~~Retained earnings or undivided profits, at last year-end~~ | ~~$~~ |
| ~~2.~~ | ~~Increases (Decreases) during period *[see note 2]*:~~ | |
| ~~E-28~~ | ~~(a) Net income (loss) for the period~~ | |
| | ~~(b) Dividends paid or partners drawings~~ | |
| | ~~(c) Other *[provide details]*~~ | |
| | | |
| | | |
| ~~3.~~ | ~~Present retained earnings or undivided profits~~ | ~~$~~ |
| | | ~~A-72~~ |

~~**NOTES:**~~

1. ~~**Part B** - Disclosure should be made of authorized and issued share capital in accordance with generally accepted accounting principles.~~

2. ~~**Line C-2** - Direct charges or credits to retained earnings are to be restricted to capital transactions (e.g. dividends, premium on share redemptions, etc.) and prior period adjustments. All income items of an extraordinary or unusual nature (e.g. profits or losses on sale of fixed assets or stock exchange seats, etc.) are to be included in Statement E in arriving at net income or loss for the period. The latter amount is to be transferred in total to retained earnings [Stmt. F-line C-2(a)].~~

# ~~PART I~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

## ~~STATEMENT OF CHANGES IN SUBORDINATED LOANS FOR THE YEAR ENDED~~ ____________________

| | ~~Industry Investors~~ | ~~Approved Non-Industry Investors~~ |
|---|---|---|
| ~~1. Balance at last year-end~~ | ~~$~~ | ~~$~~ |
| ~~2. Increases during period~~ *~~[give name of lender and date of increase]~~* | | |
| ~~(a)~~ | | |
| ~~(b)~~ | | |
| ~~(c)~~ | | |
| ~~(d)~~ | | |
| ~~(e)~~ | | |
| ~~(f)~~ | | |
| ~~3. Subtotal.~~ | | |
| ~~4. Decreases during period~~ *~~[give name of lender and date of decrease]~~* | | |
| ~~(a)~~ | | |
| ~~(b)~~ | | |
| ~~(c)~~ | | |
| ~~(d)~~ | | |
| ~~(e)~~ | | |
| ~~(f)~~ | | |
| ~~5. Subtotal~~ | | |
| ~~6. Present subordinated loans~~ | ~~$~~ | ~~$~~ |
| | ~~A-70~~ | ~~A-69~~ |

**~~NOTES:~~**

1. ~~**At the annual audit date only**, provide an attachment to Statement G showing the amount and the name of the lender for each subordinated loan outstanding. Subordinated debentures issued under a trust debenture should be disclosed in total only.~~

2. ~~**"subordinated loans"** means approved loans, pursuant to an agreement in writing in a form satisfactory to the appropriate Joint Regulatory Body, obtained from a chartered bank or any other lending institution, industry investor approved as such by the appropriate Joint Regulatory Body, or non-industry investor subject to the applicable approvals of the appropriate Joint Regulatory Body, the payment of which is deferred in favour of other creditors and is subject to regulatory approval.~~

3. ~~**"industry investor"** - For definition, refer to the regulations of the appropriate Joint Regulatory Body.~~

## ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~
## ~~CERTIFICATE OF PARTNERS OR DIRECTORS~~

______________________________________________

~~(Firm Name)~~

~~I/We have examined the attached statements and schedules and certify that, to the best of my/our knowledge, they present fairly the financial position and capital of the firm at~~ ____________________ ~~and the results of operations for the period then ended, and are in agreement with the books of the firm.~~

~~I/We certify that the following information is true and correct to the best of my/our knowledge for the period from the last audit to the date of the attached statements which have been prepared in accordance with the current requirements of the applicable Joint Regulatory Body and Canadian Investor Protection Fund.~~

**~~ANSWERS~~**

~~1. Do the attached statements fully disclose all assets and liabilities including the following:~~

~~(a) All future purchase and sales commitments?~~ .......... ________

~~(b) Outstanding puts, calls or other options?~~ .......... ________

~~(c) Participation in any underwriting or other agreement subject to future demands?~~ .......... ________

~~(d) Writs issued against the firm or partners or corporation or any other litigation pending?~~ .......... ________

~~(e) Income tax arrears of partners or corporation?~~ .......... ________

~~(f) Other contingent liabilities, guarantees, accommodation endorsements or commitments affecting the financial position of the firm?~~ .......... ________

~~2. Are all Exchange seats which are operated by the firm owned outright and clear of encumbrance by the firm?~~ .......... ________

~~3. Does the firm promptly segregate clients' securities in accordance with the rules and regulations prescribed by the appropriate Joint Regulatory Body?~~ .......... ________

~~4. Does the firm determine on a regular basis its free credit segregation amount and act promptly to segregate assets as appropriate in accordance with the rules and regulations prescribed by the appropriate Joint Regulatory Body?~~ .......... ________

~~5. Does the firm carry insurance of the type and in the amount required by the rules and regulations of the appropriate Joint Regulatory Body?~~ .......... ________

~~6. Have all "concentrations of securities", as described in the rules, regulations and policies of the appropriate Joint Regulatory Body, been identified on Schedule 9?~~ .......... ________

~~7. Has the "most stringent rule" requirement *[as described in the general instructions]* been adhered to in the preparation of these statements and schedules?~~ .......... ________

~~8. Does the firm monitor on a regular basis its adherence to early warning requirements in accordance with the rules and regulations prescribed by the appropriate Joint Regulatory Body?~~ .......... ________

~~9. Does the firm have adequate internal controls in accordance with the rules and regulations prescribed by the appropriate Joint Regulatory Body?~~ .......... ________

~~10. Does the firm maintain adequate books and records in accordance with the rules and regulations prescribed by the appropriate Joint Regulatory Body?~~ .......... ________

~~11. Does the firm follow the minimum required firm policies and procedures relating to security counts as prescribed by the appropriate Joint Regulatory Body?~~ .......... ________

______________________

~~*[date]*~~

| **~~Name and Title - Please type~~** | **~~Signature~~** |
|---|---|
| ______________________ | ______________________ |
| ______________________ | ______________________ |
| ______________________ | ______________________ |
| ______________________ | ______________________ |
| ______________________ | ______________________ |

**~~CERTIFICATE OF PARTNERS OR DIRECTORS~~**
**~~NOTES AND INSTRUCTIONS~~**

~~1. Details must be given for any “no” answers.~~

~~2. To be signed by:~~

~~(a) chief executive officer/partner~~
~~(b) chief financial officer~~
~~(c) member seatholder [if applicable]~~
~~(d) chief accountant~~
~~(e) at least two directors/partners if not included in (a) to (d) above.~~

~~3. Copies with original signatures must be provided to the Joint Regulatory Body with prime audit jurisdiction.~~

~~**JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT**~~
~~**PART II - AUDITORS' REPORT**~~

~~TO: ______________________________________________ and the~~
~~*(applicable regulatory body)*~~

~~Canadian Investor Protection Fund.~~

~~We have audited Part I of the Joint Regulatory Financial Questionnaire and Report (Part I – JRFQR) of ______________________ as at ______________________~~
~~*(firm)* *(date)*~~
~~and for the year then ended, and reported thereon as of ______________________.~~
~~*(date)*~~

~~The additional information set out in Part II of the Joint Regulatory Financial Questionnaire and Report – Schedules 1 to 14 (Part II – JRFQR) have been subjected to the procedures applied in the audit of Part I – JRFQR and in our opinion, presents fairly the information contained therein, in all material respects, in relation to Part I – JRFQR taken as a whole.~~

~~No procedures have been carried out in addition to those necessary to form an opinion on Part I – JRFQR.~~

~~The additional information set out in Part II – JRFQR, which has not been, and was not intended to be, prepared in accordance with Canadian generally accepted accounting principles, is solely for the information and use of the Member, the Investment Dealers Association and the Canadian Investor Protection Fund to comply with the regulations, bylaws and policies of the Investment Dealers Association. The additional information set out in Part II – JRFQR is not intended to be and should not be used by anyone other than these specified users or for any other purpose.~~

~~______________________ ______________________~~
~~*(auditing firm name)* *(date)*~~

~~______________________ ______________________~~
~~*(signature)* *(place of issue)*~~

---

~~**NOTES:**~~
~~A measure of uniformity in the form of the auditors' report is desirable in order to facilitate identification of circumstances where the underlying conditions are different. Therefore, when auditors are able to express an unqualified opinion, their report should take the above form.~~

~~Any limitations in the scope of the audit must be discussed in advance with the appropriate regulatory authority. Discretionary scope limitations will not be accepted.~~

~~Copies with original signatures must be provided to the Joint Regulatory Body with primary audit jurisdiction.~~

# ~~REPORT ON COMPLIANCE FOR INSURANCE~~

~~To: ______________________________ and the Canadian Investor Protection Fund.~~
~~*(appropriate regulatory body)*~~

~~We have performed the following procedures in connection with the regulatory requirements for ______________________________ to maintain minimum insurance as outlined in the Bylaws, Rules,~~
~~*(Member firm)*~~
~~Regulations and Policies of the ______________________________ and the Canadian Investor Protection Fund.~~
~~*(appropriate regulatory body)*~~
~~Compliance with the ______________________________ Bylaws, Rules, Regulations and Policies with respect~~
~~*(appropriate regulatory body)*~~
~~to insurance is the responsibility of the management of the Member firm. Our responsibility is to perform the procedures requested by you.~~

1. ~~We read the Member firm's written internal control policies and procedures with respect to maintaining insurance coverage to determine whether such policies and procedures meet the minimum required, as prescribed by the Policies of the appropriate regulatory body in regards to establishing and maintaining adequate internal controls.~~

2. ~~We obtained representation from appropriate senior management of the Member firm that the Member firm's internal control policies and procedures with respect to insurance meet the minimum required, as prescribed by the Policies of the appropriate regulatory body in regards to establishing and maintaining adequate internal controls and that they have been implemented.~~

3. ~~We read the Financial Institution Bond Form #14 (the "FIB") insurance policy(s) to determine whether the FIB policy(s) includes the minimum required clauses and coverage limits as prescribed in the Bylaws, Rules, Regulations and Policies of ______________________________.~~
~~*(appropriate regulatory body)*~~

4. ~~We requested and obtained confirmation from the Member firm's Insurance Broker(s) as at ______________ 19____~~
~~*(period end date)*~~
~~as to the FIB coverage maintained with the Insurance Underwriter(s) including:~~

    ~~(a) clauses~~
    ~~(b) aggregate and single loss limits~~
    ~~(c) deductible amounts~~
    ~~(d) name of insurer and insured~~
    ~~(e) claims made on the policy since last audit date~~
    ~~(f) details of losses/claims outstanding~~

5. ~~We selected account statements for ten clients. For each, we calculated the Client Net Equity amount. We traced the Client Net Equity amount to the Total Client Net Equity Report as at the audit date produced by the Member firm to check that the compilation of Client Net Equity is in accordance with the Notes and Instructions to Schedule 10 of the Joint Regulatory Financial Questionnaire and Report. We agreed Total Client Net Equity from the report to Schedule 10.~~

~~As a result of applying the above procedures, we found the following exceptions: (list of exceptions)~~

______________________________

______________________________

~~These procedures do not constitute an audit and therefore we express no opinion on the adequacy of the Member firm's insurance coverage or its internal control policies and procedures.~~

~~This letter is for use solely by the ______________________________ and the Canadian Investor Protection Fund to assist~~
~~*(appropriate regulatory body)*~~
~~in their assessment of the Member firm's compliance with the requirement to maintain minimum insurance as outlined in the Bylaws, Rules, Regulations and Policies of the ______________________________ and not for any other purpose.~~
~~*(appropriate regulatory body)*~~

______________________________ ______________________________
~~*(auditing firm)*~~ ~~*(date)*~~

______________________________ ______________________________
~~*(signature)*~~ ~~*(place of issue)*~~

# REPORT ON COMPLIANCE FOR SEGREGATION OF SECURITIES

To: ______________________________ and the Canadian Investor Protection Fund.
*(appropriate regulatory body)*

We have performed the following procedures in connection with the requirement for ______________________________ *(Member firm)* to segregate client securities as outlined in the Bylaws, Rules, Regulations and Policies of the ______________________________ *(appropriate regulatory body)*. Compliance with the ______________________________ *(appropriate regulatory body)* Bylaws, Rules, Regulations and Policies with respect to the segregation of client securities is the responsibility of the management of the Member firm. Our responsibility is to perform the procedures requested by you.

1. We have read the Member firm's written internal control policies and procedures with respect to segregation of client securities to determine whether such policies and procedures meet the minimum required under the policies of the appropriate regulatory body in regards to establishing and maintaining adequate internal controls.
2. We obtained representation from appropriate senior management of the Member firm that the Member firm's internal control policies and procedures with respect to segregation of client securities meet the minimum required under the policies of the appropriate regulatory body in regards to establishing and maintaining adequate internal controls.
3. We obtained a listing of all segregation locations used by the Member firm and determined that each location met the definition of "Acceptable Securities Locations" as defined in the General Notes and Definitions to the Joint Regulatory Financial Questionnaire and Report (JRFQ&R).
4. We selected a sample of ten client account statements. For each we re-calculated the segregation requirements and compared the result to the Member firm's Segregation Report.
5. We selected _____ positions[1] reported as being undersegregated at various dates throughout the year and determined the date on which the undersegregation was corrected. We obtained explanations from the Member firm and reviewed them for reasonableness. Undersegregated positions not corrected in accordance with the ______________________________ *(appropriate regulatory body)* Bylaws, Rules, Regulations and Policies are reported below.
6. We obtained the lists of hypothecated securities at ______________ *(period end date)* 19___ and compared a sample of _____ securities[1] to the Segregation Report to determine if there were securities used to secure call loans which should have been in segregation.
7. We selected ten securities positions from the Stock Record and Position Report ("SRP") to identify a customer holding a position. We compared the securities positions to the customers' statements to check whether the stock message properly reported whether the positions were held in segregation. We also selected a sample of segregated securities from customer accounts and traced those back to the SRP and to the Segregation Report.

As a result of applying the above procedures, we found the following exceptions: (list of exceptions)

---

These procedures do not constitute an audit of segregation of client securities and therefore we express no opinion on the adequacy of the Member firm's internal control policies or procedures over segregation of client securities.

This letter is for use solely by the ______________________________ *(appropriate regulatory body)* and the Canadian Investor Protection Fund to assist in their assessment of the Member firm's compliance with the requirements regarding segregation of client securities as outlined in the Bylaws, Rules, Regulations and Policies of the ______________________________ *(appropriate regulatory body)* and not for any other purpose.

______________________________ ______________________________
*(auditing firm)* *(date)*

______________________________ ______________________________
*(signature)* *(place of issue)*

[1] The sample selected must consist of the greater of: (i) ten securities or, (ii) the total sample items selected by the auditor to support the audit opinion provided on Part II of the JRFQ&R in reference to question #3 of the Certificate of Partners and Directors.

# PART II
# JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT

______________________________________

(Firm Name)

## ANALYSIS OF LOANS RECEIVABLE, SECURITIES BORROWED AND RESALE AGREEMENTS

| | Amount of loan receivable or cash delivered as collateral *[see note 3]* | Market value of securities delivered as collateral *[see note 4]* | Market value of securities received as collateral or borrowed *[see note 4]* | Required to margin |
|---|---|---|---|---|
| **LOANS RECEIVABLE:** | | | | |
| 1. Acceptable Institutions | $ | N/A | | $Nil |
| 2. Acceptable Counterparties | | N/A | | |
| 3. Regulated Entities | $ | N/A | | |
| 4. Others *[see note 12]* | | N/A | | |
| **SECURITIES BORROWED:** | | | | |
| 5. Acceptable Institutions | | | | Nil |
| 6. Acceptable Counterparties | | | | |
| 7. Regulated Entities | $ | | | |
| 8. Others *[see note 12]* | | | | |
| **RESALE AGREEMENTS:** | | | | |
| 9. Acceptable Institutions | | N/A | | Nil |
| 10. Acceptable Counterparties | | N/A | | |
| 11. Regulated Entities | $ | N/A | | |
| 12. Others *[see note 12]* | | N/A | | |
| **TOTAL** *[Lines 1 through 12]* | $ A-6 | | | $ B-6 |

## ~~SCHEDULE 1~~
## ~~NOTES AND INSTRUCTIONS~~

1. ~~This schedule is to be completed for secured loan receivable transactions whereby the stated purpose of the transaction is to lend excess cash. All security borrowing transactions and resale (i.e. reverse repo) agreements, including financing transactions done via 2 trade tickets and those with related parties, should also be disclosed on this schedule.~~

2. ~~For the purpose of this schedule, "excess collateral deficiency" is defined as the actual collateral provided to the counterparty less the collateral required to be received by the counterparty pursuant to regulatory or legislative requirements. A list of current collateralization rates for each category of Acceptable Counterparties is published on a regular basis.~~

3. ~~Include accrued interest in amount of loan receivable.~~

4. ~~Market value of securities delivered or received as collateral should include accrued interest.~~

5. ~~In the case of either a cash loan and securities borrowing or a resale transaction, if a written agreement between the firm and the counterparty has been entered into containing the terms described below, the instructions in Notes 7, 8, 9, and 10 are applicable, as the case may be. Each such written agreement shall include terms which provide (i) for the rights of either party to retain or realize on securities held by it from the other party on default, (ii) for events of default, (iii) for the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party, (iv) either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority, and (v) if set-off rights or security interests are created in securities sold or loaned by one party to another, that the securities are endorsed for transfer and free of any trading restrictions. In addition, in the case of a resale transaction such written agreement shall 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 securities at any time. Such agreements are not mandatory and if not used are to be margined as provided below.~~

   ~~In the case of a cash loan and securities borrowing transaction, if no such written agreement has been entered into in respect of the transaction, then 100% of the market value must be provided as margin by the firm on the collateral given to the lender except in the case where the lender is an Acceptable Institution in which case no margin need be provided.~~

   ~~In the case of a resale transaction, if no such written agreement has been entered into in respect of the transaction, the position shall be margined as follows:~~

| ~~**Counterparty**~~ | ~~**Written Repurchase/Reverse Repurchase Agreement**~~ | ~~**NO Written Repurchase/Reverse Repurchase Agreement**~~ ~~**Calendar days after regular settlement** (Note 1)~~ | |
|---|---|---|---|
| | | ~~**30 days or less**~~ | ~~**Greater than 30 days**~~ |
| ~~Acceptable Institution~~ | ~~No margin~~ | ~~No margin (Note 2)~~ | |
| ~~Acceptable Counterparty~~ | ~~Excess collateral deficiency~~ | ~~Excess collateral deficiency (Note 2)~~ | |
| ~~Regulated Entity~~ | ~~Market deficiency~~ | ~~Market deficiency (Note 2)~~ | ~~Margin~~ |
| ~~Other~~ | ~~Margin~~ | ~~Margin~~ | ~~200% of margin (to a maximum of the market value of the underlying securities)~~ |

~~Note 1: Regular settlement means the settlement dates or delivery date generally accepted according to industry practice for the relevant security in the market in which the transaction occurs. Margin is calculated from the date of regular settlement. Calendar days refers to the original term of the repurchase/reverse repurchase.~~

~~Note 2: Any transaction which has not been confirmed by an Acceptable Institution, Acceptable Counterparty or Regulated Entity within 15 business days of the trade shall be margined.~~

6. ~~For any given counterparty a deficiency in one type of loan may be offset by an excess in another type of loan provided that there are written agreements for each type of loan which provide for the right of offset between each type of loan. In such case, the balances may also be offset.~~

7. ~~**Lines 1, 5 and 9** - In a cash loan and securities borrow or resale transaction between a firm and an Acceptable Institution, no capital need be provided in the case where a deficiency exists between the market value of the cash loaned or securities borrowed or resold and the market value of the collateral or cash pledged.~~

## ~~SCHEDULE 1~~
## ~~NOTES AND INSTRUCTIONS (Continued)~~

~~In order for a pension fund to be treated as an Acceptable Institution for purposes of this Schedule, it must not only meet the Acceptable Institution criteria outlined in General Notes and Definitions, but the Member must also have received representation that the pension fund is legally able to enter into the obligations of the transaction. If such representation has not been received, the pension fund which otherwise meets the Acceptable Institution criteria must be treated as an Acceptable Counterparty.~~

~~WHERE AN AGREEMENT HAS BEEN EXECUTED, THEN:~~

8. ~~**Lines 2, 6 and 10** - In a cash loan and securities borrow or resale transaction between a firm and an Acceptable Counterparty, where an excess collateral deficiency exists, action must be taken to correct the deficiency. If no action is taken the amount of excess collateral deficiency must be immediately provided out of the firm's capital. In any case, where the deficiency exists for more than one business day, it must be provided out of the firm's capital.~~

9. ~~**Lines 3, 7 and 11** - In a cash loan and securities borrow or resale transaction between a firm and a Regulated Entity, where a deficiency exists between the market value of the cash loaned or securities borrowed or resold and the market value of the collateral or cash pledged, action must be taken to correct the deficiency. If no action is taken the amount of market value deficiency must be immediately provided out of the firm's capital. In any case, where the deficiency exists for more than one business day, it must be provided out of the firm's capital.~~

10. ~~**Lines 4, 8 and 12** - In a cash loan and securities borrow or resale transaction between a firm and a party other than an Acceptable Institution, Acceptable Counterparty or Regulated Entity, where a deficiency exists between the loan value of the cash loaned or securities borrowed or resold and the loan value of the collateral or cash pledged, action must be taken to correct the deficiency. If no action is taken the amount of loan value deficiency must be immediately provided out of the firm's capital. The margin required may be reduced by any margin already provided on the collateral (e.g. in inventory). Where the collateral is either held by the Member on a fully segregated basis or held in escrow on its behalf by an Acceptable Depository or a bank or trust company qualifying as either an Acceptable Institution or Acceptable Counterparty, only the amount of market value deficiency need be provided out of the firm's capital. In any case, where the deficiency exists for more than one business day, it must be provided out of the firm's capital.~~

11. ~~**Lines 5, 6 and 7** - In a securities borrowed transaction between a firm and an Acceptable Institution, Acceptable Counterparty, or Regulated Entity, where a letter of credit issued by a Schedule 1 Bank is used as collateral for the securities borrowed, there shall be no charge to the Member's capital for any excess of the value of the letter of credit pledged as collateral over the market value of the securities borrowed.~~

12. ~~**Lines 4, 8 and 12** - Transactions whereby an Acceptable Institution, Acceptable Counterparty, or Regulated Entity are only acting as agents (on behalf of an "other" party) should be reported and margined as "Others".~~

# ~~PART II~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

## ~~MARGIN FOR CONCENTRATION IN UNDERWRITING COMMITMENTS~~

**~~INDIVIDUAL CONCENTRATION:~~**

| ~~Description~~ *~~(see note 3)~~* | ~~Market Value~~ | ~~Normal Margin~~ | ~~40% of Net allowable assets~~ | ~~Excess~~ | ~~Margin Already Provided~~ *~~(see note 2)~~* | ~~Concentration Margin~~ |
|---|---|---|---|---|---|---|

~~1. SUBTOTAL .......... $_ _ _ _ _ _ _~~

**~~OVERALL CONCENTRATION:~~**

| ~~Description~~ *~~(see note 5)~~* | ~~Total Market Value~~ | ~~Normal Margin~~ | ~~100% of Net allowable assets~~ | ~~Excess~~ | ~~Margin Already Provided~~ *~~(see note 4)~~* | ~~Concentration Margin~~ |
|---|---|---|---|---|---|---|

~~2. $_ _ _ _ _ _ _~~

~~3. TOTAL CONCENTRATION MARGIN~~ *~~[lines 1 plus 2]~~* ~~.......... $__________~~

~~B-8~~

**~~NOTES:~~**

~~1. This schedule need only be completed for underwriting commitments requiring concentration margin.~~

~~2. INDIVIDUAL COMMITMENT CONCENTRATION:~~
~~Where the normal margin required on any one commitment is reduced due to either:~~
~~(a) the use of a new issue letter; or~~
~~(b) qualifying expressions of interest received from exempt list customers that have been verbally confirmed but not yet contracted [the margin reduction is only permitted once the final allocation has been made to the exempt purchasers and the entire allotment to exempt purchasers has been verbally confirmed]~~
~~and the normal margin on the commitment exceeds 40% of the member firm's net allowable assets, such excess shall be provided as margin. The amount to be added may be reduced by the amount of margin already provided on the individual underwriting position to which such excess relates.~~

~~3. Report details by individual commitments.~~

~~4. OVERALL COMMITMENT CONCENTRATION:~~
~~Where the normal margin required on some or all commitments is reduced due to either:~~
~~(a) the use of a new issue letter; or~~
~~(b) qualifying expressions of interest received from exempt list customers that have been verbally confirmed but not yet contracted [the margin reduction is only permitted once the final allocation has been made to the exempt purchasers and the entire allotment to exempt purchasers has been verbally confirmed]~~
~~and the aggregate normal margin on these commitments exceeds 100% of the member firm's net allowable assets, such excess shall be provided as margin. The amount to be added may be reduced by the amount of margin already provided on such commitments and by the amount, if any, already provided for individual concentration.~~

~~5. It is not necessary to report details of individual commitments. Report the aggregate totals.~~

~~**SCHEDULE 2**~~

~~**NOTES AND INSTRUCTIONS**~~

1. ~~All securities are to be valued at market (see General Notes and Definitions) as of the reporting date. The margin rates to be used are those outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies and the Canadian Investor Protection Fund.~~

2. ~~Schedule 2 summarizes **all** securities owned and sold short by the categories indicated. Details that must be included for each category are total long market value, total short market value and total margin required as indicated.~~

3. ~~Where the firm utilizes the computerized options margining program of a recognized Exchange operating in Canada, the margin requirement produced by such program may be used provided the positions in the firm's records agree with the positions in the Exchange computer. No details of such positions are to be reported if the programs are employed. Details of any adjustments made to the margin calculated by an Exchange computer margining program must be provided. For the purposes of this paragraph, recognized Exchange means The Montreal Exchange.~~

4. ~~The Examiners and/or Auditors of the Joint Regulatory Bodies may request additional details of securities owned or sold short as they, in their discretion, believe necessary.~~

5. ~~Where there are margin offsets between categories, the residual should be shown in the category with the larger initial margin required before offsets.~~

~~**Line 1** - Money market shall include Canadian & US Treasury Bills, Bankers Acceptances, Bank paper (Domestic & Foreign), Municipal and Commercial Paper or other similar instruments.~~

~~**Supplementary instructions for reporting money market commitments:**~~

~~**"Market Price"** for money market commitments [fixed term repurchases, calls, etc.] shall be calculated as follows:~~

~~(a) Fixed date repurchases [no borrower call feature] - the market price is the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date. Exposure due to future changes in market conditions is covered by the margin rate.~~

~~(b) Open repurchases [no borrower call feature] - prices are to be determined as of the reporting date or the date the commitment first becomes open, whichever is the later. Market price is to be determined as in (a) and commitment price is to be determined in the same manner using the yield stated in the repurchase commitment.~~

~~(c) Repurchase with borrower call features - the market price is the borrower call price. No margin is required where the total consideration for which the holder can put the security back to the dealer is less than the total consideration for which the dealer may put the security back to the issuer. However, where a holder consideration exceeds dealer consideration [the dealer has a loss], the margin required is the lesser of:~~

~~(1) the prescribed rate appropriate to the term of the security, and~~

~~(2) the spread between holder consideration and dealer consideration [the loss] based on the call features subject to a minimum of 1/4 of 1% margin.~~

~~**Line 7** - (i) The minimum margin requirement for each TSE registered trader is $50,000.~~

~~(ii) The minimum margin requirement for each ME registered specialist is the lesser of $50,000 or an amount sufficient to assume a position of twenty board lots of each security in which such specialist is registered, subject to a maximum of $25,000 per issuer.~~

~~(iii) The market maker minimum margin requirement is for the TSE $50,000 for each specialist appointed and for the ME $10,000 for each security and/or class of options appointed (not to exceed $25,000 for each market maker in each preceding case). No minimum margin is required where the market maker does not have an appointment.~~

~~The above noted minimum margin for each registered trader, specialist, or market maker may be applied as an offset to reduce any margin on positions held long or short in the registered trading account of such registered trader, specialist or market maker. It cannot be used to offset margin required for any other registered trader, specialist or market maker or for any other security positions of the member.~~

~~The market values related to positions in registered traders, specialists and market maker accounts should be included in the appropriate categories in the preceding lines of the Schedule. Related margin in excess of the minimum margin reported on this line should also be included in the preceding lines.~~

~~**Line 9** - The securities to be included are bonds, debentures, treasury bills and other securities with a term of 1 year or less, or guaranteed by the Government of Canada or 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 party to the Basle Accord), which are segregated and held separate and apart as the Member firm's property.~~

~~**Line 12** - Include margin reductions from offsets against IA reserves only to the extent there is a written agreement between the firm and the trader permitting the firm to recover realized or unrealized losses from the IA reserve account. Include margin reductions arising from guarantees relating to inventory accounts by Partners, Directors, and Officers of the firm (PDO Guarantees). Include margin reductions arising from offsets against non-specific allowances of the firm.~~

# ~~PART II~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

## ~~MARGIN FOR CONCENTRATION IN UNDERWRITING COMMITMENTS~~

**~~INDIVIDUAL CONCENTRATION:~~**

| ~~Description~~ *~~(see note 3)~~* | ~~Market Value~~ | ~~Normal Margin~~ | ~~40% of Net allowable assets~~ | ~~Excess~~ | ~~Margin Already Provided~~ *~~(see note 2)~~* | ~~Concentration Margin~~ |
|---|---|---|---|---|---|---|

~~1. SUBTOTAL ......................................................................................................................... $_______~~

**~~OVERALL CONCENTRATION:~~**

| ~~Description~~ *~~(see note 5)~~* | ~~Total Market Value~~ | ~~Normal Margin~~ | ~~100% of Net allowable assets~~ | ~~Excess~~ | ~~Margin Already Provided~~ *~~(see note 4)~~* | ~~Concentration Margin~~ |
|---|---|---|---|---|---|---|

~~2. $_______~~

~~3. TOTAL CONCENTRATION MARGIN~~ *~~[lines 1 plus 2]~~* ~~............................................................................ $__________~~

~~B-8~~

**~~NOTES:~~**

~~1. This schedule need only be completed for underwriting commitments requiring concentration margin.~~

~~2. INDIVIDUAL COMMITMENT CONCENTRATION:~~
~~Where the normal margin required on any one commitment is reduced due to either:~~
~~(a) the use of a new issue letter; or~~
~~(b) qualifying expressions of interest received from exempt list customers that have been verbally confirmed but not yet contracted [the margin reduction is only permitted once the final allocation has been made to the exempt purchasers and the entire allotment to exempt purchasers has been verbally confirmed]~~
~~and the normal margin on the commitment exceeds 40% of the member firm's net allowable assets, such excess shall be provided as margin. The amount to be added may be reduced by the amount of margin already provided on the individual underwriting position to which such excess relates.~~

~~3.Report details by individual commitments.~~

~~4. OVERALL COMMITMENT CONCENTRATION:~~
~~Where the normal margin required on some or all commitments is reduced due to either:~~
~~(a) the use of a new issue letter; or~~
~~(b) qualifying expressions of interest received from exempt list customers that have been verbally confirmed but not yet contracted [the margin reduction is only permitted once the final allocation has been made to the exempt purchasers and the entire allotment to exempt purchasers has been verbally confirmed]~~
~~and the aggregate normal margin on these commitments exceeds 100% of the member firm's net allowable assets, such excess shall be provided as margin. The amount to be added may be reduced by the amount of margin already provided on such commitments and by the amount, if any, already provided for individual concentration.~~

~~5. It is not necessary to report details of individual commitments. Report the aggregate totals.~~

# ~~PART II~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

## ~~UNDERWRITING ISSUES MARGINED AT LESS THAN THE NORMAL MARGIN RATES~~

| ~~Description~~ | ~~Maturity date~~ | ~~Par or No. of shares Long~~ | ~~Par or No. of shares Short~~ | ~~Market price~~ | ~~Market value Long~~ | ~~Market value Short~~ | ~~Effective margin rate %~~ | ~~Margin required~~ | ~~Expiry date~~ |
|---|---|---|---|---|---|---|---|---|---|
| | | | | ~~TOTALS~~ | ~~$______~~ | ~~$______~~ | | ~~$______~~ | |

**~~NOTES:~~**

1. ~~The purpose of this schedule is to disclose all unsold portions of new and secondary issues held by underwriters, other than issues disclosed on Statement A, lines 9 and 53,~~ **~~that are margined at less than the normal margin rates~~** ~~applicable to those securities as permitted in the bylaws, rules and regulations of the Joint Regulatory Bodies and the Canadian Investor Protection Fund. Expiry date refers to the date of any out clause or the expiry date on a bank letter.~~

2. ~~For positions in this schedule, the margin rate shall give effect to any bank letters or out clauses, and the margin required shall indicate the margin remaining after offsets and/or hedging strategies.~~

# PART II
# JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT

______________________________________

(Firm Name)

## ANALYSIS OF CLIENTS' TRADING ACCOUNTS LONG AND SHORT

| | | Balances Debit | Balances Credit | Amount required to fully margin |
|---|---|---|---|---|
| 1. | Acceptable Institutions | $ | $ | $ |
| 2. | Acceptable Counterparties | | | |
| 3. | Other clients: | | | |
| | (a) Margin accounts | | | |
| | (b) Cash accounts | | | |
| | (c) Commodity accounts | | | |
| | (d) Unsecured debits and shorts | | N/A | |
| 4. | Margin on extended settlements | N/A | N/A | |
| 5. | Free credits | N/A | D-4 | N/A |
| 5. (a) | Free credits, pending trades [if applicable] | N/A | | N/A |
| 6. | RRSP and other similar accounts | | | |
| 7. | **Less** - allowance for bad debts or accounts provided for but included above | | | |
| 8. | TOTAL | $ A-10 | $ A-54 | $ B-10 |

9. **SUPPLEMENTARY DISCLOSURE:**

(a) NAME OF RRSP TRUSTEE(S)

1. ______________________________
2. ______________________________
3. ______________________________

(b) Total margin reductions from offsets against IA reserves, PDO guarantees or general allowances $__________

## ~~SCHEDULE 4~~
## ~~NOTES AND INSTRUCTIONS~~

~~1. EACH FIRM SHALL OBTAIN FROM CLIENTS, PARTNERS, SHAREHOLDERS, AND CLIENTS CARRIED FOR AN INTRODUCING BROKER, SUCH MINIMUM MARGIN IN SUCH AMOUNT AND IN ACCORDANCE WITH SUCH REQUIREMENTS AS PRESCRIBED BY THE JOINT REGULATORY BODIES.~~

~~2. **"extended settlement date"** transaction shall mean a transaction (other than a mutual fund security redemption) in respect of which the arranged settlement date is a date after regular settlement date.~~

~~**"regular settlement date"** means the settlement date generally accepted according to industry practice for the relevant security in the market in which the transaction occurs, including foreign jurisdictions. For margin purposes, if such settlement date exceeds 15 business days past trade date, settlement date will be deemed to be 15 business days past trade date. In the case of **new issue trades**, regular settlement date means the contracted settlement date as specified for that issue.~~

~~3. **Lines 1 to 3** - Balances including extended settlement date transactions should be reported on these lines. However, the margin related to such extended settlements should be calculated as described in Note 13 and reported on line 4.~~

~~4. **Line 1** - No mark to market or margin is required on accounts with Acceptable Institutions in the case of either regular or extended settlement date transactions **EXCEPT** any transaction which has not been confirmed by an Acceptable Institution within 15 business days of the trade date shall be margined.~~

~~This line is to include all trading balances with Acceptable Institutions except free credit balances, which should be included on line 5.~~

~~5. **Line 2** - In the case of a regular settlement date transaction in the account of an Acceptable Counterparty the amount of margin to be provided, **commencing on regular settlement date**, shall be the equity deficiency calculated by determining the difference between (a) the net market value of all settlement date security positions in the customer's account(s) and (b) the net money balance on a settlement date basis in the same account(s).~~

~~Any transaction, which has not been confirmed by an Acceptable Counterparty within 15 business days of the trade date, shall be margined.~~

~~This line is to include all trading balances with Acceptable Counterparties except free credit balances, which should be included on line 5.~~

~~6. **Line 3(a)** - **"margin accounts"** means accounts which operate according to the following rules:~~

~~1. Settlement of each transaction in a margin account of a customer shall be made on or before the settlement date by payment of the amount required to complete the transaction or by delivery of the required securities, as the case may be.~~

~~2. Payment by a customer in respect of any margin account transaction may be by:~~

~~a) cash or other immediately available funds;~~

~~b) applying the loan value of securities to be deposited;~~

~~c) applying the excess loan value in the account or in a guarantor's account.~~

~~3. Each margin account of a customer, which has become undermargined, shall within 20 business days of the account becoming undermargined be restricted only to trades, which reduce the margin deficiency in the account. Such restriction shall apply until the account is fully margined.~~

~~4. Advancing funds or delivering securities from the account of a customer shall not be permitted as long as the account is undermargined or if such advance or delivery would cause the account to become undermargined.~~

~~7. **Line 3(a)** - In the case of a regular settlement date transaction in the margin account of a person other than a Regulated Entity, Acceptable Counterparty or Acceptable Institution, the amount of margin to be provided, **commencing on regular settlement date**, shall be the margin deficiency at not less than prescribed rates, if any, that exists.~~

~~TRADE DATE MARGINING~~

~~For Members determining margin deficiencies for clients on a trade date basis, (a) any amount of margin required to be~~

~~provided under this subsection shall be determined using money balances and security positions as of trade date, and (b) the amount referred to in the previous paragraph shall be determined and provided commencing on trade date.~~

~~8. **Line 3(b) - "cash accounts"** means accounts which operate according to the following rules:~~

~~1. CASH ACCOUNTS~~
~~Settlement of each transaction in a cash account (other than DAP or RAP transactions referred to below) of a customer should be made by payment or delivery on the settlement date. In the event the account does not settle as required, capital will be provided as prescribed in Note 9.~~

~~2. DELIVERY AGAINST PAYMENT (DAP)~~
~~Settlement of a purchase transaction in an account for which the customer has made arrangements with the Member on or before settlement date for delivery by the Member against payment in full by the customer shall be settled on the later of (i) settlement date or (ii) the date on which the Member gives notice to the customer that the securities purchased are available for delivery.~~

~~3. RECEIPT AGAINST PAYMENT (RAP)~~
~~Settlement of a sale transaction in an account for which the customer has made arrangements with the Member on or before settlement date for receipt of securities by the Member against payment to the customer shall be settled on the settlement date.~~

~~4. PAYMENT~~
~~Payment by a customer in respect of any cash account transaction may be by:~~

~~a) cash or other immediately available funds;~~

~~b) the application of the proceeds of the sale of the same or other securities held long in any cash account of the customer with the Member provided that the equity (trade date brokers include unsettled transactions) in such account exceeds the amount of the transaction;~~

~~c) the transfer of funds from a margin account of the customer with the Member provided adequate margin is maintained in such account immediately before and after the transfer.~~

~~5. ISOLATED TRANSACTIONS~~
~~A customer shall be permitted in an isolated instance to:~~

~~a) settle, when the equity (excluding all unsettled transactions) in such account does not exceed the amount of the transaction, a regular or DAP cash account transaction by the sale of the same security in any cash account of the customer with the Member;~~

~~b transfer a transaction in a cash account to a margin account prior to payment in full; or~~

~~c) transfer a transaction in a DAP account to a margin account within 10 business days after settlement date.~~

~~6. ACCOUNT RESTRICTIONS~~
~~a) Cash accounts~~
~~When any portion of the money balance for a cash account of a customer is outstanding 20 business days or more after settlement date the customer shall be restricted from entering into any other transactions (other than liquidating transactions) in any account of the customer with the Member, unless and until (i) payment of any such money balance outstanding for 20 business days or more shall have been made, (ii) all open and unsettled transactions in any cash account of the customer with the Member have been transferred in accordance with subsection 7, or (iii) the customer has executed a liquidating transaction in the account with the effect that no portion of the money balance in the account is outstanding 20 business days or more after settlement date.~~

~~b) DAP accounts~~
~~When any portion of the money balance for a DAP account transaction of a customer is outstanding 5 business days or more (or, in the case of transactions of customers situated other than in continental North America, 15 business days) from the date on which the transaction is required to be settled in accordance with subsection 2. the customer shall be restricted from entering into any other transaction (other than liquidating transactions) in any other account of the customer with the Member, unless and until (i) such transaction has been settled in full or (ii) all open and unsettled transactions in any cash account of the customer with the Member have been transferred in accordance with subsection 7.~~

~~7. TRANSFER TO MARGIN ACCOUNT~~

~~The account restrictions in subsection 6 (a) and (b) shall not apply to the accounts of a customer who (i) do not have a margin account with the Member, and (ii) on or after the accounts becoming so restricted, transfers all open and unsettled transactions in any cash account of the customer with the Member to one or more newly established margin accounts of the customer with the Member, provided such margin accounts have been properly established by the completion of all necessary documentation and action and adequate margin is maintained in such account(s) immediately after such transfer.~~

~~8. ACCEPTABLE INSTITUTIONS AND OTHERS~~

~~Subsection 6 does not apply to the accounts of Acceptable Institutions, Acceptable Counterparties, non-Member brokers, or Regulated Entities.~~

~~9. **Line 3(b)** - Margin must be provided as follows:~~

~~CASH ACCOUNTS~~

~~a) When any portion of the money balance in a cash account of a person other than a Regulated Entity, Acceptable Counterparty or Acceptable Institution is overdue for a period of **less than 6 business days past regular settlement date**, in the case of regular settlement transactions, the amount of margin to be provided**, commencing on regular settlement date**, shall be the equity deficiency, if any, calculated by determining the difference between (a) the net weighted market value of all settlement date security positions in the customer's cash account(s) and (b) the net money balance on a settlement date basis in the same account(s).~~

~~For the purposes of calculating weighted market value, the following weightings will apply:~~

- ~~Securities that currently have a margin rate of 60% or less, are weighted at 1.000~~
- ~~Listed securities with a margin rate greater than 60% are weighted as 0.333~~
- ~~Nasdaq National Market® and Nasdaq SmallCap MarketSM securities with a margin rate of more than 60% are weighted as 0.333~~
- ~~All other unlisted securities with a margin rate of more than 60% are weighted as 0.000~~

~~b) **Commencing on 6 business days or more past regular settlement date**, the amount of margin to be provided shall be the margin deficiency, if any, that would exist if all of the customer's cash accounts were margin accounts;~~

~~c) The amounts provided in (a) or (b) above may be reduced by the amount of excess margin in the customer's margin accounts and any equity surplus in the customer's DAP and RAP accounts, if any.~~

~~DAP AND RAP ACCOUNTS~~

~~a) When any portion of the money balance in a DAP account or RAP account of a person other than a Regulated Entity, Acceptable Counterparty or Acceptable Institution is overdue for a period of **less than 10 business days past regular settlement date**, in the case of regular settlement transactions, the amount of margin to be provided, **commencing on regular settlement date**, shall be the equity deficiency, if any, of (a) the net market value of all settlement date security positions in the customer's DAP, or RAP account(s) and (b) the net money balance on a settlement date basis in the same account(s).~~

~~b) For each transaction in a DAP or RAP account which is unsettled, or any money portion in respect of such transaction is outstanding, in either case for a period of **10 business days or more past regular settlement date**, the amount of margin to be provided shall be the margin deficiency calculated in respect of each such transaction as if such transaction was in a margin account.~~

~~c) For a customer whose accounts are restricted, the amount to be provided shall be the margin deficiency, if any, that would exist if all of the customer's DAP and RAP accounts were margin accounts;~~

~~d) The amount to be provided in (a), (b) or (c) above may also be reduced by the amount of excess margin in the customer's margin accounts and any equity surplus in the customer's cash accounts, if any.~~

~~CONFIRMATIONS AND COMMITMENT LETTERS~~

~~The margin requirements outlined in the previous paragraphs of Note 9 do not apply if a customer has provided the Member on or before settlement date with an irrevocable and unconditional confirmation from an Acceptable Clearing Corporation or letter of commitment from an Acceptable Institution to the effect that such corporation or institution will accept delivery from the Member and pay for the securities to be delivered, and in such event settlement shall be~~

~~considered provided for by the customer.~~

~~TRADE DATE MARGINING~~

~~For Members determining margin deficiencies for clients on a trade date basis, the amount of margin required between trade date and settlement date shall be the equity deficiency, if any, calculated by determining the difference between (a) the net market value of all trade date security positions in the customer's cash, DAP or RAP account(s) and (b) the trade date net money balance in the same account(s). Commencing on regular settlement date, the amount of margin to be provided shall be the margin requirement outlined in the previous paragraphs of Note 9.~~

~~10. Any transactions in open cash accounts at the report date which, subsequent to that date, become in violation of the cash account requirements and have resulted in either a material loss or a material deficit - equity position, must either be fully margined or the total amount to margin such items must be reported as a footnote to the questionnaire.~~

~~11. **Line 3(c)** - Client accounts shall be marked to market and margined daily using as a minimum the margin requirements of the Clearing House of the Commodity Exchange on which the commodity is traded or at the rate required by the firm's clearing broker, whichever is the greater.~~

~~12. **Line 3(d)** - The amount required to fully margin should be the aggregate of unsecured debits plus the margin required on any short security positions in such accounts or in accounts with no money balance. Any account that is partly secured should be included on Line 3(a) - Margin Accounts.~~

~~13. **Line 4** - Report only the margin related to extended settlements in cash, DAP, RAP or margin accounts on this line. In the case of an extended settlement transaction between a Member and either an Acceptable Counterparty or any other counterparty (other than an Acceptable Institution (see Note 4) or Regulated Entity (see Schedule 5)), the position shall be margined as follows, commencing on regular settlement date:~~

| | ~~**CALENDAR DAYS AFTER REGULAR SETTLEMENT (Note 1)**~~ | |
|---|---|---|
| ~~**Counterparty**~~ | ~~**30 days or less**~~ | ~~**Greater than 30 days**~~ |
| ~~Acceptable Counterparty~~ | ~~Market deficiency (Note 2)~~ | ~~Margin~~ |
| ~~Other~~ | ~~Margin~~ | ~~200% of margin (to a maximum of the market value of the underlying securities)~~ |
| ~~Note 1: Calendar days refers to the original term of the extended settlement transaction.~~<br>~~Note 2: Any transaction which has not been confirmed by an Acceptable Counterparty within 15 business days of the trade shall be margined.~~ | | |

~~14. **Line 5** - Free credit balances in all accounts **except RRSP and other similar accounts** should be included. Members margining on a trade date basis will generally calculate free credit balances on a trade date basis and should report this trade date figure on line 5. However, for those Members margining on a settlement date basis, their free credit balances will generally be calculated on a settlement date basis and this settlement date figure should be reported on line 5. Note that a consistent basis of calculating free credit balances must be used from month to month.~~

~~For cash and margin accounts, a free credit is: "the credit balance **less** an amount equal to the aggregate of the market value of short positions and regulatory margin on those shorts".~~

~~For commodity accounts, a free credit is: "any credit balance **less** an amount equal to the aggregate of margin required to carry open futures contracts and/or futures contracts option positions *less* equity in those contracts *plus* deficits in those contracts, provided that such aggregate amount may not exceed the dollar amount of the credit balance."~~

~~15. **Line 5(a)** - For those Members reporting free credit balances on a settlement date basis on line 5, report the free credit balances arising as a result of pending trades on this line.~~

~~16. **Line 7** - Deduct the allowance for bad debts recorded in the accounts in order that the totals in line 8 are shown "net".~~

~~17. **Line 9(b)** - Include margin reductions from offsets against IA reserves only to the extent there is a written agreement between the firm and the IA permitting the firm to recover the unsecured balances of the IA's client accounts from the IA reserve account. Include margin reductions arising from guarantees relating to customers' accounts by Partners, Directors, and Officers of the firm (PDO Guarantees). Include margin reductions arising from offsets against non-specific allowances of the firm.~~

# ~~PART II~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

______________________________________________

~~(Firm Name)~~

## ~~LIST OF TEN LARGEST VALUE DATE TRADING BALANCES~~
## ~~WITH ACCEPTABLE INSTITUTIONS AND ACCEPTABLE COUNTERPARTIES~~

*~~[excluding balances less than 20% of Risk Adjusted Capital or $250,000, whichever is the smaller]~~*

| ~~Name of Institution~~ | ~~On Approved List Yes/No~~ | ~~Acceptable Institutions/ Counterparty AI~~ | ~~AC~~ | ~~Debits~~ | ~~Credits~~ | ~~Margin~~ |
|---|---|---|---|---|---|---|
| | | ~~TOTALS~~ | | ~~$_______~~ | ~~$_______~~ | |
| | ~~$________~~ | | | | | |

**~~NOTES~~**~~:~~

1. ~~This schedule is to report only ten balances with an indication whether each balance is with an Acceptable Institution or an Acceptable Counterparty.~~

2. ~~For balances with Acceptable Institutions and Acceptable Counterparties not on the approved lists, as published by the Joint Regulatory Bodies, please provide their latest audited financial statements.~~

# ~~PART II~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

## ~~ANALYSIS OF BROKERS' AND DEALERS' TRADING BALANCES~~

| | ~~Balances~~ Debit | ~~Balances~~ Credit | ~~Amount required to fully margin~~ |
|---|---|---|---|
| ~~1. Acceptable Clearing Corporations trading balances~~ *~~[see notes]~~* | ~~$~~ | ~~$~~ | ~~$~~ |
| ~~2. Regulated Entities~~ *~~[see notes]~~* | | | |
| ~~3. (a) Firm's own affiliated/related partnerships or corporations duly approved and audited under the capital requirements of the Joint Regulatory Bodies~~ | | | |
| ~~(b) Firm's own affiliated/related partnerships or corporations - not approved~~ *~~[see note 6 - give details]~~* | | | |
| ~~4. (a) Other brokers and dealers not qualifying as Regulated Entities but qualifying as Acceptable Counterparties~~ *~~[see note 7 - give details]~~* | | | |
| ~~(b) Other brokers and dealers not qualifying as Regulated Entities or Acceptable Counter-parties~~ *~~[see note 8 - give details]~~* | | | |
| ~~5. Mutual Funds or their agents~~ *~~[see note 9]~~* | | | |
| ~~6. TOTAL~~ | ~~$~~ | ~~$~~ | ~~$~~ |
| | ~~A-11~~ | ~~A-55~~ | ~~B-11~~ |

## ~~SCHEDULE 5~~
## ~~NOTES AND INSTRUCTIONS~~

1. ~~This schedule is only to include ordinary security trading transactions. **All security borrowing or lending transactions should be disclosed on Schedules 1 or 7.**~~

2. ~~**Lines 1, 2, 3 and 4 where applicable** - Balances may be reported on a "net" basis (broker by broker) or on a "gross" basis. Balances with a broker or dealer must **not** be netted against those with its affiliated company.~~

3. ~~**Line 1** - For definition, see General Notes and Definitions.~~

   ~~Margin on such balances should be provided as follows:~~

   ~~(i) Trades settling through a Net Settlement system should be treated as if the other party to the trade was an Acceptable Institution. For example, CNS balances with CDS, and CNS balances with National Securities Clearing Corporation.~~

   ~~(ii) All transactions done through CDS outside of the CNS system should be treated as if with a single counterparty to be classified as an Acceptable Counterparty (even if some or all of the other parties qualify as an Acceptable Institution).~~

   ~~(iii) Other trades settling on a transaction by transaction basis should be treated as if they were to be settled directly with the other party to the trade. For example, balances arising from trades settled through National Securities Clearing Corporation's Netted Balance Order or Trade-for-Trade Services, and balances arising from trades settled through Euroclear and Cedel.~~

4. ~~**Line 2** - This line is not to include non-arms' length transactions which are to be reported on line 3. For definition of Regulated Entities, see General Notes and Definitions. Margin on balances with Regulated Entities must be provided as follows:~~

   ~~(i) In the case of a regular settlement date transaction in the account of a Regulated Entity the amount of margin to be provided, **commencing on regular settlement date**, shall be the equity deficiency of (a) the net market value of all settlement date security positions in the broker's accounts, and (b) the net money balance on a settlement date basis in the same accounts. In the case of an extended settlement date transaction between a Member and a Regulated Entity, commencing on regular settlement date the position shall be marked to market if the original term of the extended settlement transaction is 30 days or less, otherwise the position should be margined at applicable rates.~~

   ~~(ii) Any transaction which has not been confirmed by a Regulated Entity within 15 business days of the trade date shall be margined.~~

5. ~~**Line 3(a)** - Margin must be provided as outlined for Regulated Entities in note 4 above.~~

6. ~~**Line 3(b)** - If the affiliated/related company qualifies as a Regulated Entity, then margin must be provided as outlined for Regulated Entities in note 4 above.~~

   ~~If the affiliated/related company qualifies as an Acceptable Counterparty, then margin must be provided in the manner outlined in Schedule 4 Notes and Instructions for Acceptable Counterparties.~~

   ~~If neither of the above, then margin must be provided in the manner outlined in Schedule 4 Notes and Instructions for regular clients' accounts.~~

7. ~~**Line 4(a)** - All balances must be margined in the same way as accounts of Acceptable Counterparties (see Schedule 4 Notes and Instructions). Balances, or portions thereof, arising from trading transactions such as futures, options and short sale deposits should also be reported on this line. This line should also include balances with approved inter-dealer bond brokers.~~

   ~~Approved inter-dealer bond brokers are those inter-dealer bond dealers that are approved by IIROC and Bourse de Montréal Inc. The list of approved inter-dealer bond brokers will be published from time to time through the issuance of a regulatory notice.~~

8. ~~**Line 4(b)** - All balances must be margined in the same way as regular clients' accounts (see Schedule 4 Notes and Instructions). Balances, or portions thereof, arising from trading transactions such as futures, options and short sale deposits should also be reported on this line. This line should also include balances with inter-dealer bond brokers which are not on the list of approved inter-dealer bond brokers.~~

9. ~~**Line 5** - This line is to include balances arising from mutual fund redemptions or purchase transactions. All balances must be margined in the same way as accounts of Acceptable Counterparties, or as regular client accounts.~~

# ~~PART II~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

## ~~INCOME TAXES~~

### ~~A. INCOME TAX PAYABLE (RECOVERABLE)~~

| | | |
|---|---|---|
| ~~1. Balance payable (recoverable) at last year-end~~ | | ~~$________~~ |
| ~~2. (a) Payments (made) or received relating to above balance~~ | ~~$________~~ | |
| ~~(b) Adjustments, including reassessments, relating to prior periods~~ ~~*[give details if significant]*~~ | ~~________~~ | |
| ~~3. Total adjustment to prior years' payable (recoverable) taxes during current year~~ | | ~~________~~ |
| ~~4. Subtotal~~ ~~*[add or subtract line 3 from line 1]*~~ | | ~~________~~ |
| ~~5. Provision for (recovery of) taxes, including taxes on extraordinary items - current~~ | ~~________~~ ~~E-26(a)~~ | |
| ~~6. less: Current instalments~~ | ~~________~~ | |
| ~~7. Other adjustments [give details if significant]~~ | ~~________~~ | |
| ~~8. Total adjustment for current year's taxes~~ | | ~~________~~ |
| ~~9. TOTAL PAYABLE (RECOVERABLE)~~ ~~*[add or subtract line 8 from line 4]*~~ | | ~~$__________~~ ~~A-14 - if recoverable~~ ~~A-56 - if payable~~ |

### ~~B. ANALYSIS OF DEFERRED INCOME TAXES~~

| | ~~Debit~~ | ~~Credit re Current assets and liabilities~~ | ~~Credit re Non-current assets and liabilities~~ |
|---|---|---|---|
| ~~1. Unrealized - Trading~~ | ~~$________~~ | ~~$________~~ | ~~$________~~ |
| ~~- Commission~~ | ~~________~~ | ~~________~~ | ~~________~~ |
| ~~- Underwriting~~ | ~~________~~ | ~~________~~ | ~~________~~ |
| ~~2. CCA/Depreciation~~ | ~~________~~ | ~~________~~ | ~~________~~ |
| ~~3. Other~~ ~~*[give details]*~~ | ~~________~~ | ~~________~~ | ~~________~~ |
| ~~4. TOTAL DEFERRED INCOME TAXES~~ | ~~$__________~~ ~~A-28 details~~ | ~~$__________~~ ~~A-57~~ | ~~$__________~~ ~~A-63~~ |

## ~~PART II~~
## ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

**~~TAX RECOVERIES~~**

### ~~A. TAX RECOVERY FOR RISK ADJUSTED CAPITAL:~~

~~1. 6-A5 Current year tax provision *[must be greater than 0, else N/A]* .......... $________~~

~~2. A-22 Commission and/or fees receivable (non allowable assets) of $________ multiplied by an effective corporate tax rate of _____%.......... ________~~

~~3. TAX RECOVERY - ASSETS *[100% of lesser of lines 1 and 2]*.......... ________~~

~~4. Balance of current provision available for margin and securities concentration charge tax recovery *[line 1 minus line 3]*.......... ________~~

~~5. Recoverable taxes from preceding three years of $________ net of current year tax recovery (if applicable) of $________.......... ________~~

~~6. Total available for margin tax recovery *[line 4 plus line 5]*.......... ________~~

~~7. B-22 Total margin required of $______ multiplied by an effective corporate tax rate of _____%.......... ________~~

~~8. TAX RECOVERY - MARGIN *[75% of lesser of lines 6 and 7]*.......... $________~~

~~9. **TOTAL TAX RECOVERY BEFORE TAX RECOVERY ON SECURITIES CONCENTRATION CHARGE** *[line 3 plus line 8]*.......... $________~~ ~~B-24~~

~~10. Balance of taxes available for securities concentration charge tax recovery *[line 6 minus line 8, must be greater than 0, else N/A]*.......... ________~~

~~11. Sch.9 Total securities concentration charge of $______ multiplied by an effective corporate tax rate of ______%.......... ________~~

~~12. **TAX RECOVERY - SECURITIES CONCENTRATION CHARGE** *[75% of lesser of lines 10 and 11]*.......... ________~~ ~~B-26~~

~~13. **TOTAL TAX RECOVERY RAC** *[line 3 plus line 8 plus line 12]*.......... $________~~ ~~C-2(b)~~

### ~~B. TAX RECOVERY FOR EARLY WARNING CALCULATION:~~

~~1. 6-A5 Current year tax provision *[must be greater than 0, else N/A]*.......... $________~~

~~2. A-16 Commission and/or fees receivable (allowable assets).......... $________~~

~~3. A-22 Commission and/or fees receivable (non allowable assets)...... $________~~

~~4. SUBTOTAL *[line 2 plus line 3]*.......... $________~~

~~5. Line 4 multiplied by an effective corporate tax rate of _____%.......... $________~~

~~6. **TAX RECOVERY - INCOME ACCRUALS** *[100% of lesser of lines 1 and 5]*.......... $________~~ ~~C-2(d)~~

## ~~SCHEDULE 6A~~
## ~~NOTES AND INSTRUCTIONS~~

~~**SECTION A - ASSETS:** The purpose of this calculation is to tax effect identifiable revenue related receivables which have been classified as non allowable assets for capital purposes. In other words, the calculation gives recognition to the fact that in recording the receivable the firm generated revenue against which a tax provision has been set up.~~

~~**SECTION A - MARGIN:** The purpose of this calculation is to reduce the provision for contingent market losses on client and inventory positions (i.e. margin) by the appropriate allowance for taxes recoverable in the event of realization of such a market loss.~~

~~**Line A1** - If firm has no current tax provision due to being in a net tax recovery position, then no tax recovery on assets is allowed for RAC purposes.~~

~~**Line A3** - If firm has no current tax provision, then insert N/A on this line.~~

~~**Line A5** - The balance reported as the recoverable taxes from preceding three years should be the total taxes paid in the three preceding years, hence available for recovery. If firm has reported a balance on line A1 above, then no balance should be reported as the current year tax recovery on this line.~~

~~**Line B1** - If firm has no current tax provision due to being in a net tax recovery position, then no tax recovery on income accruals is allowed for Early Warning purposes.~~

## ~~PART II~~
## ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

### ~~ANALYSIS OF OVERDRAFTS, LOANS, SECURITIES LOANED AND REPURCHASE AGREEMENTS~~

| | ~~Amount of loan payable or cash received as collateral~~ ~~[see note 3]~~ | ~~Market value of securities received as collateral~~ ~~[see note 4]~~ | ~~Market value of securities delivered as collateral or loaned~~ ~~[see note 4]~~ | ~~Required to margin~~ |
|---|---|---|---|---|
| ~~1. Bank overdrafts~~ | ~~$~~_______ | ~~N/A~~ | ~~N/A~~ | ~~$Nil~~ |
| ~~**LOANS PAYABLE:**~~ | | | | |
| ~~2. Acceptable Institutions~~ | _______ | ~~N/A~~ | _______ | ~~Nil~~ |
| ~~3. Acceptable Counterparties~~ | _______ | ~~N/A~~ | _______ | _______ |
| ~~4. Regulated Entities~~ | _______ | ~~N/A~~ | _______ | _______ |
| ~~5. Others~~ | _______ | ~~N/A~~ | _______ | _______ |
| ~~**SECURITIES LOANED:**~~ | | | | |
| ~~6. Acceptable Institutions~~ | _______ | _______ | _______ | ~~Nil~~ |
| ~~7 Acceptable Counterparties~~ | _______ | _______ | _______ | _______ |
| ~~8. Regulated Entities~~ | _______ | _______ | _______ | _______ |
| ~~9. Others~~ | _______ | _______ | _______ | _______ |
| ~~**REPURCHASE AGREEMENTS:**~~ | | | | |
| ~~10. Acceptable Institutions~~ | _______ | ~~N/A~~ | _______ | ~~Nil~~ |
| ~~11. Acceptable Counterparties~~ | _______ | ~~N/A~~ | _______ | _______ |
| ~~12. Regulated Entities~~ | _______ | ~~N/A~~ | _______ | _______ |
| ~~13. Others~~ | _______ | ~~N/A~~ | _______ | _______ |
| ~~**TOTAL** *[Lines 1 through 13]*~~ | ~~$~~_________ ~~A-51~~ | | | ~~$~~_________ ~~B-12~~ |

## ~~SCHEDULE 7~~
## ~~NOTES AND INSTRUCTIONS~~

1. ~~This schedule is to be completed for loan payable transactions whereby the stated purpose of the transaction is to borrow cash. All security lending transactions and securities repurchases, including financing transactions done via 2 trade tickets and those with related parties, should also be disclosed on this schedule.~~

2. ~~For the purpose of this schedule, "excess collateral deficiency" is defined as the actual collateral provided to the counterparty less the collateral required to be received by the counterparty pursuant to regulatory or legislative requirements. A list of current collateralization rates for each category of Acceptable Counterparties is published on a regular basis.~~

3. ~~Include accrued interest in amount of loan payable.~~

4. ~~Market value of securities received or delivered as collateral should include accrued interest.~~

5. ~~In the case of either a cash borrow and securities loan or a repurchase transaction, if a written agreement between the firm and the counterparty has been entered into containing the terms described below, the instructions in Notes 7, 8, 9 and 10 are applicable, as the case may be. Each such written agreement shall include terms which provide (i) for the rights of either party to retain or realize on securities held by it from the other party on default, (ii) for events of default, (iii) for the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party, (iv) either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority, and (v) if set-off rights or security interests are created in securities sold or loaned by one party to another, that the securities are endorsed for transfer and free of any trading restrictions. In addition, in the case of a repurchase transaction such written agreement shall contain an acknowledgement by the parties that either has the right, upon notice, to call for any difference between the collateral and the securities at any time. Such agreements are not mandatory and if not used are to be margined as provided below.~~

   ~~In the case of a cash borrow and securities loan transaction, if no such written agreement has been entered into in respect of the transaction, then 100% of the market value must be provided as margin by the firm on the collateral given to the lender except in the case where the lender is an Acceptable Institution in which case no margin need be provided.~~

   ~~In the case of a repurchase transaction, if no such written agreement has been entered into in respect of the transaction, the position shall be margined as follows:~~

| ~~Counterparty~~ | ~~Written Repurchase/Reverse Repurchase Agreement~~ | ~~NO Written Repurchase/Reverse Repurchase Agreement~~ ~~Calendar days after regular settlement (Note 1)~~ ~~30 days or less~~ | ~~Greater than 30 days~~ |
|---|---|---|---|
| ~~Acceptable Institution~~ | ~~No margin~~ | ~~No margin (Note 2)~~ | |
| ~~Acceptable Counterparty~~ | ~~Excess collateral deficiency~~ | ~~Excess collateral deficiency (Note 2)~~ | |
| ~~Regulated Entity~~ | ~~Market deficiency~~ | ~~Market deficiency (Note 2)~~ | ~~Margin~~ |
| ~~Other~~ | ~~Margin~~ | ~~Margin~~ | ~~200% of margin (to a maximum of the market value of the underlying securities)~~ |

~~Note 1: Regular settlement means the settlement dates or delivery date generally accepted according to industry practice for the relevant security in the market in which the transaction occurs. Margin is calculated from the date of regular settlement. Calendar days refers to the original term of the repurchase/reverse repurchase.~~

~~Note 2: Any transaction which has not been confirmed by an Acceptable Institution, Acceptable Counterparty or Regulated Entity within 15 business days of the trade shall be margined.~~

6. ~~For any given counterparty a deficiency in one type of loan may be offset by an excess in another type of loan provided that there are written agreements for each type of loan which provide for the right of offset between each type of loan. In such case, the balances may also be offset.~~

7. ~~**Lines 2, 6, and 10** - In a cash borrowed and securities loan or repurchase transaction between a firm and an Acceptable Institution, no capital need be provided in the case where a deficiency exists between the market value of the cash borrowed or securities loaned or repurchased and the market value of the collateral or cash pledged.~~

~~In order for a pension fund to be treated as an Acceptable Institution for purposes of this Schedule, it must not only meet the Acceptable Institution criteria outlined in General Notes and Definitions, but the Member must also have received representation that the pension fund is legally able to enter into the obligations of the transaction. If such representation has not been received, the pension fund which otherwise meets the Acceptable Institution criteria must be treated as an Acceptable Counterparty.~~

~~WHERE AN AGREEMENT HAS BEEN EXECUTED, THEN:~~

~~8. **Lines 3, 7, and 11** - In a cash borrowed and securities loan or repurchase transaction between a firm and an Acceptable Counterparty, where an excess collateral deficiency exists, action must be taken to correct the deficiency. If no action is taken, the amount of excess collateral deficiency must be immediately provided out of the firm's capital. In any case, where the deficiency exists for more than one business day it must be provided out of the firm's capital.~~

~~9. **Lines 4, 8, and 12** - In a cash borrowed and securities loan or repurchase transaction between a firm and a Regulated Entity, where a deficiency exists between the market value of the cash borrowed or securities loaned or repurchased and the market value of the collateral or cash pledged, action must be taken to correct the deficiency. If no action is taken, the amount of market value deficiency must be immediately provided out of the firm's capital. In any case, where the deficiency exists for more than one business day it must be provided out of the firm's capital.~~

~~10. **Lines 5, 9, and l3** - In a cash borrowed and securities loan or repurchase transaction between a firm and a party other than an Acceptable Institution, Acceptable Counterparty or Regulated Entity, where a deficiency exists between the loan value of the cash borrowed or securities loaned or repurchased and the loan value of the collateral or cash pledged, action must be taken to correct the deficiency. If no action is taken, the amount of loan value deficiency must be immediately provided out of the firm's capital. The margin required may be reduced by any margin already provided on the collateral (e.g. in inventory). Where the collateral is either held by the Member on a fully segregated basis or held in escrow on its behalf by an Acceptable Depository or a bank or trust company qualifying as either an Acceptable Institution or Acceptable Counterparty, only the amount of market value deficiency need be provided out of the firm's capital. In any case, where the deficiency exists for more than one business day, it must be provided out of the firm's capital.~~

~~11. **Lines 2, 3 and 4** - In a cash borrowed transaction between a firm and an Acceptable Institution, Acceptable Counterparty, or Regulated Entity, where a letter of credit issued by a Schedule 1 Bank is used as collateral for the cash borrowed, there shall be no charge to the Member firm's capital for any excess of the value of the letter of credit pledged as collateral over the cash borrowed.~~

~~12. **Lines 5, 9, and l3** - Transactions whereby an Acceptable Institution, Acceptable Counterparty, or Regulated Entity are only acting as agents (on behalf of an "other" party) should be reported and margined as "Others".~~

## ~~PART II~~
## ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

______________________________________

~~(Firm Name)~~

### ~~"ACCEPTABLE COUNTERPARTIES" FINANCING ACTIVITIES CONCENTRATION CHARGE~~

~~1."Market value deficiency" amount relating to loans receivable from "acceptable counterparties" reported on Schedule 1, line 2, net of legal offsets and margin already provided~~ ~~..........~~ ~~$~~ ________

~~2."Market value deficiency" amount relating to securities borrowed from "acceptable counterparties" reported on Schedule 1, line 6, net of legal offsets and margin already provided ..........~~ ________

~~3. "Market value deficiency" amount relating to resale agreements with "acceptable counterparties" reported on Schedule 1, line 10, net of legal offsets and margin already provided ..........~~ ________

~~4. "Market value deficiency" amount relating to loans payable to "acceptable counterparties" reported on Schedule 7, line 3, net of legal offsets and margin already provided ..........~~ ________

~~5. "Market value deficiency" amount relating to securities lent to "acceptable counterparties" reported on Schedule 7, line 7, net of legal offsets and margin already provided ..........~~ ________

~~6."Market value deficiency" amount relating to repurchase agreements with "acceptable counterparties" reported on Schedule 7, line 11, net of legal offsets and margin already provided ..........~~ ________

~~**7.TOTAL "MARKET VALUE DEFICIENCY" EXPOSURE WITH "ACCEPTABLE COUNTERPARTIES", NET OF LEGAL OFFSETS AND MARGIN ALREADY PROVIDED** *[Sum of lines 1 to 6]* ..........~~ ~~$~~ ________

~~**8.CONCENTRATION THRESHOLD – 100% OF NET ALLOWABLE ASSETS** ..........~~ ~~$~~ ________

~~**9. FINANCING ACTIVITIES CONCENTRATION CHARGE** *[Excess of line 7 over line 8, otherwise NIL]* ..........~~ ~~$~~ ________

~~DATE:~~ ______________________ ~~SCHEDULE 9~~

# ~~PART II~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

______________________

~~(Firm Name)~~

## ~~CONCENTRATION OF SECURITIES~~

~~*[excluding securities required to be in segregation or safekeeping & debt securities with a margin rate of 10% or less (see note 5)]*~~

| ~~Description of Security~~ ~~*[note 6]*~~ | ~~Client position long/(short)~~ ~~*[note 7]*~~ | ~~Firm's own long/(short)~~ ~~*[note 8]*~~ | ~~Unit Price~~ | ~~Market value~~ | ~~Effective Margin rate~~ | ~~Loan value of securities~~ ~~*[note 2]*~~ | ~~Adjustments in arriving at amount loaned~~ | ~~"Amount loaned"~~ ~~*[note 9]*~~ | ~~Amount cleared within five business days~~ | ~~Adjusted amount loaned~~ | ~~Concen-tration charge~~ ~~*[note 10]*~~ |
|---|---|---|---|---|---|---|---|---|---|---|---|

## ~~SCHEDULE 9~~
## ~~NOTES AND INSTRUCTIONS~~

### ~~General~~

1. ~~The purpose of this schedule is to disclose the largest ten issuer positions that are being relied upon for loan value whether or not a concentration charge applies.~~ ~~**If there are more than ten issuer positions where a concentration exposure exists, then all such issuer positions must be listed on the schedule.**~~

2. ~~For the purpose of this schedule, an issuer position must include all classes of securities for an issuer (i.e. all long and short positions in equity, convertibles, debt or other securities of an issuer other than debt securities with a normal margin requirement of 10% or less) where:~~

   - ~~loan value is being extended in a margin account, cash account, delivery against payment account, receipt against payment account; or~~
   - ~~an inventory position is being held.~~

3. ~~Securities that are required to be in segregation or safekeeping should not be included in the issuer position. Securities that have been segregated but are not required to be can still be relied on by the Member for loan value and must be included in the issuer position.~~

4. ~~For the purpose of this schedule, an amount loaned exposure to "broad based index" (as defined in the General Notes and Definitions) positions may be treated as an amount loaned exposure to each of the individual securities comprising the index basket. These amount loaned exposures may be reported by breaking down the broad based index position into its constituent security positions and adding these constituent security positions to other amount loaned exposures for the same issuer to arrive at the combined amount loaned exposure.~~

   ~~To calculate the combined amount loaned exposure for each index constituent security position held, sum~~

   ~~a) the individual security positions held, and~~

   ~~b) the constituent security position held.~~
   ~~[For example, if ABC security has a 7.3% weighting in a broad based index, the number of securities that represents 7.3% of the value of the broad based index position shall be reported as the constituent security position.]~~

5. ~~For the purpose of this schedule only, stripped coupons and residuals, [if they are held on a book based system, and are in respect of federal and provincial debt instruments], should be margined at the same rate as the underlying security.~~

6. ~~For short positions, the loan value is the market value of the short position.~~

### ~~Client position~~

7. ~~(a) Client positions are to be reported on a **settlement date basis** for client accounts including positions in margin accounts, regular cash accounts [when any transaction in the account is outstanding after settlement date] and delivery against payment and receipt against payment accounts [when any transaction in the account is outstanding after settlement date]. Within each client account, security positions that qualify for a margin offset may be eliminated.~~

   ~~(b) Positions in delivery against payment and receipt against payment accounts with Acceptable Institutions, Acceptable Counterparties, or Regulated Entities resulting from transactions that are outstanding less than ten business days past settlement date are not to be included in the positions reported. If the transaction has been outstanding ten business days or more past settlement **and** is not confirmed for clearing through an Acceptable Clearing Corporation or not confirmed by the Acceptable Institution, Acceptable Counterparty or Regulated Entity, then the position must be included in the position reported.~~

### ~~Firm's own position~~

8. ~~(a) Firm's own inventory positions are to be reported on a trade date basis, including new issue positions carried in inventory twenty business days after new issue settlement date. All security positions that qualify for a margin offset may be eliminated.~~

   ~~(b) The amount reported must include uncovered stock positions in market-maker accounts.~~

## ~~SCHEDULE 9~~
## ~~NOTES AND INSTRUCTIONS (Continued)~~

**~~Amount Loaned~~**

~~9. The client and firm's own positions reported are to be determined based on the combined client/firm's own long or short position that results in the largest amount loaned exposure.~~

~~(a)To calculate the combined amount loaned on the long position exposure, combine:~~

- ~~the loan value of the gross long client position (if any) contained within client margin accounts;~~
- ~~the weighted market value (calculated pursuant to the weighted market value calculation set out in Schedule 4, Note 9, Cash Accounts Instruction (a)) and/or loan value (calculated pursuant to the loan value calculation set out in Schedule 4, Note 9, Cash Accounts Instruction (b)) of the gross long client position (if any) contained within client cash accounts;~~
- ~~the market value (calculated pursuant to the market value calculation set out in Schedule 4, Note 9, DAP and RAP Accounts Instruction (a)) and/or loan value (calculated pursuant to the loan value calculation set out in Schedule 4, Note 9, DAP and RAP Accounts Instruction (b)) of the gross long client position (if any) contained within client delivery against payment accounts; and~~
- ~~the loan value (calculated pursuant to the Notes and Instructions to Schedule 2) of the net long firm's own position (if any).~~

~~(b)To calculate the combined amount loaned on the short position exposure, combine~~

- ~~the market value of the gross short client position (if any) contained within client margin, cash and receipt against payment accounts; and~~
- ~~the market value of the net short firm's own position (if any).~~

~~(c)If the loan value of an issuer position (net of issuer securities required to be in segregation/safekeeping) does not exceed one-half (one-third in the case of an issuer position which qualifies under either Note 10(a) or 10(b) below) of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4) as most recently calculated, the completion of the column titled "Adjustments in arriving at Amount Loaned" is optional. However, nil should be reflected for the concentration charge.~~

~~(d)In determining the amount loaned on either a long, or short position exposure, the following adjustments may be made:~~

~~(i)Security positions that qualify for a margin offset may be excluded, as previously discussed in notes 7(a) and 8(a);~~

~~(ii)Security positions that represent excess margin in the client's account may be excluded. (Note if the starting point of the calculations is securities not required to be in segregation/safekeeping, this deduction has already been included in the loan value calculation of Column 6.);~~

~~(iii)In the case of margin accounts, 25% of the market value of long positions in any: (a) non-marginable securities or, (b) securities with a margin rate of 100%, in the account may be deducted from the amount loaned calculation, provided that such securities are carried in readily saleable quantities only;~~

~~(iv)In the case of cash accounts, 25% of the market value of long positions in any securities whose market value weighting is 0.000 (pursuant to Schedule 4, Note 9, Cash Accounts Instruction (a)) in the account may be deducted from the amount loaned calculation, provided that such securities are carried in readily saleable quantities only;~~

~~(v)The amount loaned values of trades made with financial institutions that are not Acceptable Institutions, Acceptable Counterparties or Regulated Entities, if the trades are outstanding less than 10 business days past settlement date, and the trades were confirmed on or before settlement date with a settlement agent that is an Acceptable Institution may be deducted from the amount loaned calculation; and~~

~~(vi)Any security positions in the client's (the "Guarantor") account which are used to reduce the margin required in another account pursuant to the terms of a guarantee agreement shall be included in calculating the amount loaned on each security for the purposes of the Guarantor's account.~~

~~(e) Amount Loaned is the position exposure (either long or short) with the largest calculated amount loaned.~~

~~**Concentration Charge**~~

~~10.(a) Where the Amount Loaned reported relates to securities issued by~~

~~(i)the Member, or~~

~~(ii)a company, where the accounts of a Member are included in the consolidated financial statements and where the assets and revenue of the Member constitute more than 50% of the consolidated assets and 50% of the consolidated revenue, respectively, of the company, based on the amounts shown in the audited consolidated financial statements of the company and the ember for the preceding fiscal year and the total Amount Loaned by a Member on such issuer securities exceeds one-third of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4), as most recently calculated, a concentration charge of an amount equal to 150% of the excess of the Amount Loaned over one-third of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4) is required unless the excess is cleared within five business days of the date it first occurs. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the issuer security(ies) for which such charge is incurred.~~

~~(b)Where the Amount Loaned reported relates to non-marginable securities of an issuer held in a cash account(s), where loan value has been extended pursuant to the weighted market value calculation set out in Schedule 4, Note 9, and the total Amount Loaned by a Member on such issuer securities exceeds one-third of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4), as most recently calculated, a concentration charge of an amount equal to 150% of the excess of the Amount Loaned over one-third of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4) is required unless the excess is cleared within five business days of the date it first occurs. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the issuer security(ies) for which such charge is incurred.~~

~~(c)Where the Amount Loaned reported relates to arm's length marginable securities of an issuer (i.e., securities other than those described in note 10(a), or 10(b)), and the total Amount Loaned by a Member on such issuer securities exceeds two-thirds of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4), as most recently calculated, a concentration charge of an amount equal to 150% of the excess of the Amount Loaned over two-thirds of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4) is required unless the excess is cleared within five business days of the date it first occurs. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the issuer security(ies) for which such charge is incurred.~~

~~(d)Where:~~

~~(i)The Member has incurred a concentration charge for an issuer position under either note 10(a) or 10(b) or 10(c); or~~

~~(ii) The Amount Loaned by a Member on any one issuer (other than issuers whose securities may be subject to a concentration charge under either Note 10(a) or 10(b) above) exceeds one-half of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4), as most recently calculated; **and**~~

~~(iii)The Amount Loaned on any **other issuer** exceeds one-half (one-third in the case of issuers whose securities may be subject to a concentration charge under either Note 10(a) or 10(b) above) of the sum of Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4); **then**~~

~~(iv)A concentration charge on such other issuer position of an amount equal to 150% of the excess of the Amount Loaned on the **other issuer** over one-half (one-third in the case of issuers whose securities may be subject to a concentration charge under either Note 10(a) or 10(b) above) of the sum of the Member's Risk Adjusted Capital before securities concentration charge and minimum capital (Stmt. B, line 4) is required unless the excess is cleared within five business days of the date it first occurs. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the security(ies) for which such charge is incurred.~~

~~(e) For the purpose of calculating the concentration charges as required by notes 10(a), 10(b), 10(c) and 10(d) above, such calculations shall be performed for the largest five issuer positions by Amount Loaned in which there is a concentration exposure.~~

~~**Other**~~

~~11. (a) Where there is an over exposure in a security and the concentration charge as referred to above would produce either a capital deficiency or a violation of the Early Warning Rule, the Member must report the over exposure situation to the appropriate Joint Regulatory Body on the date the over exposure first occurs.~~

~~(b) A measure of discretion is left with the Joint Regulatory Bodies in dealing with the resolution of concentration situations, particularly as regards to time requirements for correcting any over exposure, as well as whether securities are carried in "readily saleable quantities".~~

## ~~PART II~~
## ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

## ~~INSURANCE~~

---

**~~PART A. FINANCIAL INSTITUTION BOND (FIB) CLAUSES (A) TO (E)~~**

~~1. Coverage required for FIB~~

~~(a)Client Net Equity:~~

~~i) Firm's Own _______~~

~~ii) Carriers Introducing Firms _______~~

~~Total $____________ x 1%* _______ *[Note 3]*~~

~~(b) Total Liquid Assets (A-13) _______~~

~~Total Other Allowable Assets (A-19) _______~~

~~Total $____________ x 1%* _______~~

~~The actual coverage required for each clause is the Greater of (a) and (b), with a Minimum Requirement of $500,000 ($200,000 for a Type 1 Introducing Broker), and a Maximum Requirement of $25,000,000. _______~~

~~*based on one half of one percent for Types 1 and 2 Introducing Brokers~~

~~2. Coverage maintained per FIB _______ *[Notes 4 & 8]*~~

~~3. Excess / (Deficiency) in coverage $____________ *[Note 5]*~~

~~4. Amount deductible under FIB *(if any)* $____________ *[Note 6]*~~

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**~~PART B. REGISTERED MAIL INSURANCE~~**

~~1. Coverage per mail policy $____________ *[Note 7]*~~

**~~PART C. FIB AND REGISTERED MAIL POLICY INFORMATION~~ *~~[Note 9]~~***

| ~~Insurance Company~~ | ~~Name of the Insured~~ | ~~FIB/ Registered Mail~~ | ~~Expiry Date~~ | ~~Coverage~~ | ~~Type of Aggregate Limit~~ | ~~Provision for full Reinstatement~~ | ~~Premium~~ |
|---|---|---|---|---|---|---|---|

**~~PART D. LOSSES AND CLAIMS~~ *~~[Note 10]~~***

| ~~Date of Loss~~ | ~~Date of Discovery~~ | ~~Amount of Loss~~ | ~~Deductible Applying to Loss~~ | ~~Description~~ | ~~Claim Made?~~ | ~~Settlement~~ | ~~Date Settled~~ |
|---|---|---|---|---|---|---|---|

## ~~SCHEDULE 10~~
## ~~NOTES AND INSTRUCTIONS~~

~~1. Member firms must maintain minimum insurance in type and amounts as outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies and Canadian Investor Protection Fund.~~

~~2.Schedule 10 must be completed at the audit date and monthly as part of the Monthly Financial Report.~~

~~3. Net equity for each client is the total value of cash and securities owed to the client by the Member less the value of cash and securities owed by the client to the Member. In determining net equity, accounts of a client such as cash, margin, short sale, options, futures, foreign currency and Quebec Stock Savings Plans are combined and treated as one account. Accounts such as RRSP, RRIF, RESP, Joint accounts are not combined with other accounts and are treated as separate accounts.~~

~~Net equity is determined on a client by client basis on either a settlement date basis or trade date basis. Schedule 10 Part A line 1(a) is the aggregate net equity for each client. Negative client net equity, (i.e. total deficiency in net equity owed to the Member by the client) is not included in the aggregate.~~

~~For Schedule 10, guarantee/guarantor agreements should not be considered in the calculation of net equity.~~

~~The Client Net Equity calculation should include all retail and institutional client accounts, as well as accounts of broker dealers, repos, loan post, broker syndicates, affiliates and other similar accounts.~~

~~4. The amounts of insurance required to be maintained by a Member shall as a minimum be by way of a Financial Institution Bond with a double aggregate limit or a provision for full reinstatement.~~

~~For Financial Institution Bond policies containing an "aggregate limit" coverage, the actual coverage maintained should be reduced by the amount of reported loss claims, if any, during the policy period.~~

~~5. The Certificate of Partners or Directors in the JRFQR contains a question pertaining to the adequacy of insurance coverage. The Auditors' Report requires the auditor to state that the question has been fairly answered. The rules and regulations also state: "Should there be insufficient coverage, firms shall be deemed to be complying with these Regulations provided that any such deficiency does not exceed 10% of the insurance requirement and that evidence is furnished within two months of the dates of completion of the monthly financial report or 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 Member to correct the deficiency within 10 days of its determination and the Member shall immediately notify the appropriate Joint Regulatory Body."~~

~~6. A Financial Institution Bond maintained pursuant to the rules and regulations may contain a clause or rider stating that all claims made under the bond are subject to a deductible, provided that the firm's margin requirement is increased by the amount of the deductible.~~

~~7. Unless specifically exempted as provide for in the regulations of the Self Regulatory Organization, every Firm shall effect and keep in force Mail Insurance against loss arising by reason of any outgoing shipments of money or securities, negotiable or non-negotiable, by first-class mail, registered mail, registered air mail, express or air express, such insurance to provide at least 100% cover.~~

~~8. The aggregate 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 coverage per the Financial Institution Bond (Statement 10 line 2).~~

~~9. List all Financial Institution Bond and Registered Mail underwriters, policies, coverage and premiums indicating their expiry dates. State type of aggregate limits, if applicable, or note that provision for full reinstatement exists.~~

~~10. List all losses reported to the insurers or their authorized representatives including those losses that are less than the amount of the deductible. Do not include lost document bond claims. Indicate in the "Amount of Loss" column if the amount of the loss is estimated or unknown as at the reporting date.~~

~~Losses should continue to be reported on Schedule 10 Part D until resolved. In the reporting period where a claim has been settled or a decision has been made not to pursue a claim, the loss should be listed along with the amount of the settlement, if any.~~

~~At the annual audit date, list all unsettled claims, whether or not the claims were initiated in the period under audit. In addition, list all losses and claims identified in the current or previous periods that have been settled during the period under audit.~~

## ~~PART II~~
## ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

____________________________________

~~(Firm Name)~~

### ~~UNHEDGED FOREIGN CURRENCIES CALCULATION~~

### ~~SUMMARY~~

~~A. Total foreign exchange margin requirement~~ ~~$~~ __________

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~~B. Details for individual currencies with margin requirement greater than or equal to $5,000:~~

| ~~Foreign Currency with margin requirement ≥ $5,000~~ ~~(For each foreign currency, a schedule 11A must be completed)~~ | ~~Margin Group~~ | ~~Required Margin~~ |
|---|---|---|
| | | |
| ~~Subtotal~~ | | |
| ~~All other foreign exchange margin requirement~~ | | |
| **~~Total~~** | | ~~$~~ |

## ~~PART II~~
## ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

**~~DETAILS OF UNHEDGED FOREIGN CURRENCIES CALCULATION FOR INDIVIDUAL CURRENCIES WITH MARGIN REQUIRED GREATER THAN OR EQUAL TO $5,000~~**

**~~Foreign Currency:~~** ____________

**~~Margin Group:~~** ____________

**~~BALANCE SHEET ITEMS AND FORWARD/FUTURE COMMITMENTS <= TWO YEARS TO MATURITY~~**

| | ~~Amount~~ | ~~Weighted Value~~ | ~~Margin Required~~ |
|---|---|---|---|
| ~~1. Total monetary assets~~ | | | |
| ~~2. Total long forward / futures contract positions~~ | | | |
| ~~3. Total monetary liabilities~~ | | | |
| ~~4. Total (short) forward / futures contract positions~~ | | | |
| ~~5. Net long (short) foreign exchange positions~~ | | | |
| ~~6. Net weighted value~~ | | | |
| ~~7. Net weighted value multiplied by term risk for Group ___ of _____%~~ | | | |

**~~BALANCE SHEET ITEMS AND FORWARD/FUTURE COMMITMENTS > TWO YEARS TO MATURITY~~**

| | | | |
|---|---|---|---|
| ~~8. Total monetary assets~~ | | | |
| ~~9. Total long forward / futures contract positions~~ | | | |
| ~~10. Total monetary liabilities~~ | | | |
| ~~11. Total (short) forward / futures contract positions~~ | | | |
| ~~12. Net long (short) foreign exchange positions~~ | | | |
| ~~13. Greater of long or (short) weighted values~~ | | | |
| ~~14. Weighted value multiplied by term risk for Group ___ of _____%~~ | | | |

**~~FOREIGN EXCHANGE MARGIN REQUIREMENTS~~**

| | | | |
|---|---|---|---|
| ~~15. Net long (short) foreign exchange positions~~ | | | |
| ~~16. Net foreign exchange position multiplied by spot risk for Group ___ of _____%~~ | | | |
| ~~17. Total term risk and spot risk margin requirement~~ | | | |
| ~~18. Spot rate at reporting date~~ | | | |
| ~~19. Margin requirement converted to Canadian dollars~~ | | | |

**~~FOREIGN EXCHANGE CONCENTRATION CHARGE~~**

| | | | |
|---|---|---|---|
| ~~20. Total foreign exchange margin (line 19) in excess of 25% of net allowable assets less minimum capital [not applicable to Group 1]~~ | | | |
| **~~TOTAL FOREIGN EXCHANGE MARGIN FOR (Currency):~~** | | | |

## ~~SCHEDULE 11 AND 11A~~
## ~~NOTES AND INSTRUCTIONS~~

1. ~~The purpose of this Schedule is to measure the balance sheet exposure a Member firm has to foreign currency risk. Schedule 11A must be completed for each foreign currency that has margin requirement greater than or equal to $5,000.~~

2. ~~The following is a summary of the quantitative and qualitative criteria for Currency Groups 1-4. Firms should refer to the most recently published listing by SROs of currency groupings.~~

   - ~~**Currency Group 1** consists of the US dollar.~~

   - ~~**Currency Group 2** consists of all countries whose currencies have a historical volatility of less than 3% relative to the Canadian dollar, are quoted on a daily basis by a Canadian Schedule 1 chartered bank, and are either a member of the European Monetary System and a participant of the Exchange Rate Mechanism or there is a listed future for the currency on a recognized futures exchange such as the Chicago Mercantile Exchange (CME) or Philadelphia Board of Trade (PBOT).~~

   - ~~**Currency Group 3** consists of all countries whose currencies have a historical volatility of less than 10% relative to the Canadian dollar, are quoted on a daily basis by a Canadian Schedule 1 chartered bank and are a full member of the International Monetary Fund (IMF).~~

   - ~~**Currency Group 4** consists of all countries, which do not satisfy the quantitative and qualitative criteria for Currency Groups 1-3.~~

3. ~~Reference should be made to the applicable bylaws, rules, regulations and interpretation notices of the Joint Regulatory Bodies for definitions and calculations.~~

4. ~~Monetary assets and liabilities are money or claims to money, the values of which, whether denominated in foreign or domestic currency are fixed by contract or otherwise.~~

5. ~~All monetary assets and liabilities as well as the firm's own foreign currency future and forward commitments are to be reported on a trade date basis.~~

6. ~~Monetary liabilities and the firm's own foreign currency future and forward commitments should be disclosed by maturity dates i.e. less than or equal to two (2) years and greater than two (2) years.~~

7. ~~**Weighted value** is calculated for foreign exchange positions with terms to maturity of greater than three (3) days. The weighted value is derived by taking the term to maturity of the foreign exchange position divided by 365 (weighting factor) and multiplying it by the unhedged foreign exchange amount.~~

8. ~~The total margin requirement is the sum of the spot risk margin and the term risk margin requirements. The spot risk margin rates apply to all unhedged foreign exchange positions regardless of term to maturity. The term risk margin rates apply to all unhedged foreign exchange positions with a term to maturity of greater than three (3) days. The following summarizes the margin rates by Currency Group:~~

| | ~~**Currency Group**~~ | | | |
|---|---|---|---|---|
| | ~~**1**~~ | ~~**2**~~ | ~~**3**~~ | ~~**4**~~ |
| ~~**Spot Risk Margin Rate (Note 1)**~~ | ~~1.0%~~ | ~~3.0%~~ | ~~10%~~ | ~~25%~~ |
| ~~**Term Risk Margin Rate (Note 2)**~~ | ~~1.0% to a maximum of 4%~~ | ~~3.0% to a maximum of 7%~~ | ~~5.0% to a maximum of 10%~~ | ~~12.5% to a maximum of 25%~~ |
| ~~**Total Maximum Margin Rates (Note 1)**~~ | ~~5%~~ | ~~10%~~ | ~~20%~~ | ~~50%~~ |

~~**Note 1**: Spot risk margin rates may be subject to the Foreign Exchange Margin Surcharge~~

~~**Note 2**: If the weighting factor described in 7 above exceeds the maximum term risk margin rate in the above table, the weighting factor should be adjusted to the maximum.~~

9. ~~Firms may elect to exclude non-allowable monetary assets from the total monetary assets reported on Schedule 11A for purposes of the foreign exchange margin calculation. The reason underlying this proviso is that a firm should not have to provide foreign exchange margin on a non-allowable asset which is already fully provided for in the determination of the capital position of the firm unless it serves as an economic hedge against a monetary liability.~~

10. ~~For firms offsetting an inventory futures contract/forward contract position in which there is a futures contract for the currency listed on a recognized exchange, an alternative margin calculation may be used (refer to bylaws, rules, regulations and interpretation notices of the Joint Regulatory Bodies). Any contract positions for which the margin is calculated under the alternative method must be reported as part of the inventory margin calculations on Schedule 2 and should be excluded from Schedule 11A.~~

11. ~~Line 20 - The Foreign Exchange Concentration Charge applies only to currencies in Groups 2 to 4.~~

**~~PART II~~**

**~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~**

~~(Firm Name)~~

**~~MARGIN ON COMMODITY CONCENTRATIONS AND DEPOSITS~~**

*~~(refer to instructions)~~*

~~1. Margin on Total Positions~~ ~~$__________~~

~~2. Margin regarding Concentration in Individual Accounts~~ ~~$__________~~

~~3. Margin regarding Concentration in Individual Commodity~~ ~~$__________~~

~~4. Margin on Commodity Deposits-Correspondent Brokers~~ ~~$__________~~

~~5. TOTAL~~ ~~$___________~~

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## ~~SCHEDULE 12~~
## ~~NOTES AND INSTRUCTIONS~~

~~**Line 1 - General margin provision.** The margin requirement for futures contracts and options on futures contracts shall be 15% of the maintenance margin requirements, as required by the Commodity Futures Exchange on which such futures contracts were entered into, for the greater of the total long or total short futures contracts per commodity or financial futures carried for all client and Member accounts. For the purpose of this general margin provision, short futures contracts positions include futures contracts underlying the short call options on futures contracts and long futures contracts positions include futures contracts underlying the short put options on futures contracts.~~

~~The following positions are excluded from this calculation:~~

~~(a) positions in Acceptable Institution, Acceptable Counterparty and Regulated Entity accounts;~~

~~(b) hedge positions, provided that the underlying interest is held in the client's account at the Member or that the Member has a document giving the Member an irrevocable right to take possession of the underlying interest and deliver it at the location designated by the appropriate clearing corporation. All other hedge positions are treated as speculative positions for the purpose of this calculation;~~

~~(c) client and Member spreads in the same futures contract entered into on the same futures exchange. All other spread positions are treated as speculative positions for the purpose of this calculation;~~

~~(d) The following options on futures contracts positions:~~

~~(i) short options on futures contracts which are out-of-the-money by more than two maintenance margin requirements; and~~

~~(ii) spreads in the same options on futures contracts.~~

~~**Line 2 - Concentration in individual accounts.** The Member must provide for the amount by which;~~

~~(a) the aggregate of the maintenance margin requirements of the commodity or financial futures or underlying interest of option on futures contracts held both long and short for any client (including without limitation groups of clients or related clients) or in inventory, except for positions mentioned in Note 1 below, less any excess margin provided~~

~~exceeds~~

~~(b) 15% of the Member's net allowable assets.~~

~~The excess margin must be based on the maintenance margin. However, spread positions in the same product or different product on the same exchange and an inter-exchange or inter-commodity spread could be included using the maintenance margin as set by the exchange, provided that the spread is acceptable for margin purposes by a recognized exchange.~~

~~If the excess is not eliminated within three (3) trading days after it first occurs, the Member's capital shall be charged the lesser of:~~

~~(a) the excess calculated when the concentration first occurred; and~~

~~(b) the excess, if any, that exists on the close of the third trading day.~~

~~For the purpose of the concentration calculation, short futures contracts positions include futures contracts underlying the short call options on futures contracts and long futures contracts positions include futures contracts underlying the short put options on futures contracts.~~

~~**Line 3 - Concentration in individual open futures contracts and short options on futures contract positions.** The Member must provide for the amount by which;~~

~~(a) the aggregate of two maintenance margin requirements on the greater of the long or the short commodity or financial futures contracts position held for clients and in inventory, except for positions mentioned in Note 1 below,~~

~~exceeds~~

~~(b) 40% of the Member's net allowable assets.~~

~~There may be deducted from this difference, on a per client basis, the excess margin available in all accounts of the client up to two maintenance margin requirements of the client's positions in the futures contracts.~~

~~The excess margin must be based on the maintenance margin. However, spread positions in the same product or different product on the same exchange and an inter-exchange or inter-commodity spread could be included in both the long and short side using the maintenance margin as set by the exchange, provided that the spread is acceptable for margin purposes by a recognized exchange.~~

~~If the excess is not eliminated within three (3) trading days after it first occurs, the Member's capital shall be charged the lesser of:~~

~~(a) the excess calculated when the concentration first occurred; and~~

~~(b) the excess, if any, that exists on the close of the third trading day.~~

~~For the purpose of the concentration calculation, short futures contracts positions include futures contracts underlying the short call options on futures contracts and long futures contracts positions include futures contracts underlying the short put options on futures contracts.~~

~~**Line 4** - Where assets, including cash, open trade equity and securities, owing to a Member from a Commodity Futures Correspondent Broker exceed 50% of the Member's net allowable assets, any excess over this amount shall be provided as a charge in computing the Member's margin required.~~

~~Where the net worth of the Commodity Futures Correspondent Broker, as determined from its latest published audited financial statements, exceeds $50,000,000, no margin is required under this rule.~~

~~Where the net worth of the Commodity Futures Correspondent Broker, as determined from its latest published financial statements, is less than $50,000,000, the Member may use a confirmed unconditional and irrevocable letter of credit issued by a US bank qualifying as an Acceptable Institution on behalf of the Commodity Futures Correspondent Broker to offset any margin requirement calculated above. The amount of the offset is limited to the amount of the letter of credit.~~

~~No exemption from this requirement is permitted for Members who operate their commodity futures contracts and commodity option on futures contracts business on a fully disclosed basis with a correspondent broker.~~

~~**Note 1:** For the purpose of the calculation of the concentration margin on individual client accounts (Line 2) and for open futures contracts and short options on futures contracts positions (Line 3), the following positions are excluded:~~

~~1.1 positions held in Acceptable Institution, Acceptable Counterparty and Regulated Entity accounts;~~

~~1.2 hedge positions provided that the underlying interest is held in the client's account at the Member or that the Member has a document giving the Member an irrevocable right to take possession of the underlying interest and deliver it at the location designated by the appropriate clearing corporation. All other hedge positions are treated as speculative positions and are thereby not excluded;~~

~~1.3 the following short Options on Futures Contracts Positions:~~

~~(i) either the short call or the short put where a client or Member account is short a call and short a put on the same futures contract with the same exercise price and same expiration month;~~

~~(ii) a futures contract paired with an in-the-money option provided that this pairing is acceptable for margin purposes by a recognized exchange;~~

~~(iii) a short option paired with a long in-the-money option provided that this pairing is acceptable for margin purposes by a recognized exchange;~~

~~(iv) a short option paired with a futures contract provided that this pairing is acceptable for margin purposes by a recognized exchange;~~

~~(v) an out-of-the-money short call option paired with an out-of-the-money long call option, where the strike price of the short call exceeds the strike price of the long call, provided that this pairing is acceptable for margin purposes by a recognized exchange;~~

~~(vi) an out-of-the-money short put option paired with an out-of-the-money long put option provided that this pairing is acceptable for margin purposes by a recognized exchange; and~~

~~(vii) short option, which is out-of-the-money by more than two maintenance margin requirements.~~

# PART II
# JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT

__________________________________________

(Firm Name)

## EARLY WARNING TESTS - LEVEL 1

Early Warning Level 1

### A. LIQUIDITY TEST

**Is Early Warning Reserve (Stmt. C, line 5) less than 0?** __________ YES/NO

### B. CAPITAL TEST

1. Risk Adjusted Capital (RAC) *[Stmt. B, line 27]* $____________

2. Total Margin Required *[Stmt. B, line 22]* multiplied by 5% $____________

**Is line 1 less than line 2?** __________ YES/NO

### C. PROFITABILITY TEST #1

| | MONTHS | PROFIT OR LOSS FOR 6 MONTHS ENDING WITH CURRENT MONTH *[note 2]* | PROFIT OR LOSS FOR 6 MONTHS ENDING WITH PRECEDING MONTH *[note 2]* |
|---|---|---|---|
| 1. Current month | ________ | $__________ | |
| 2. Preceding month | ________ | __________ | $__________ |
| 3. 3rd month | ________ | __________ | __________ |
| 4. 4th month | ________ | __________ | __________ |
| 5. 5th month | ________ | __________ | __________ |
| 6. 6th month | ________ | __________ | __________ |
| 7. 7th month | ________ | | __________ |
| 8. TOTAL *[note 3]* | | $____________ | $____________ |
| 9. AVERAGE multiplied by -1 | | $____________ | $____________ |
| 10A. RAC *[at questionnaire date]* | | $____________ | |
| 10B. RAC *[at preceding month end]* | | | $____________ |
| 11A. Line 10A divided by line 9 | | $____________ | |
| 11B. Line 10B divided by line 9 | | | $____________ |

**Are both of the following conditions true:**
**1. Line 11A is greater than or equal to 3 but less than 6, and**
**2. Line 11B less than 6?** __________ YES/NO

### D. PROFITABILITY TEST #2

1. Loss for current month *[notes 2 and 4]* multiplied by -6 $____________

2. RAC *[at questionnaire date]* $____________

**Is line 2 less than line 1?** __________ YES/NO

# ~~PART II~~
# ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

## ~~EARLY WARNING TESTS - LEVEL 2~~

~~**Early Warning Level 2**~~

### ~~A. LIQUIDITY TEST~~

~~**Is Early Warning Excess (Stmt. C, line 3) < 0?**~~ ______ ~~**YES/NO**~~

### ~~B. CAPITAL TEST~~

1. ~~Risk Adjusted Capital (RAC) *[Stmt. B, line 27]*~~ ~~$____________~~
2. ~~Total Margin Required *[Stmt. B, line 22]* multiplied by 2%~~ ~~$____________~~

~~**Is line 1 less than line 2?**~~ ______ ~~**YES/NO**~~

### ~~C. PROFITABILITY TEST #1~~

~~**Is Schedule 13, Line 11A less than 3 AND**~~
~~**Schedule 13, Line 11B less than 6?**~~ ______ ~~**YES/NO**~~

### ~~D. PROFITABILITY TEST #2~~

1. ~~Loss for current month *[notes 2 and 4]* multiplied by -3~~ ~~$____________~~
2. ~~RAC *[at questionnaire date]*~~ ~~$____________~~

~~**Is line 2 less than line 1?**~~ ______ ~~**YES/NO**~~

### ~~E. PROFITABILITY TEST #3~~

| | ~~MONTHS~~ | ~~PROFIT OR LOSS FOR 3 MONTHS ENDING WITH CURRENT MONTH *[note 2]*~~ |
|---|---|---|
| ~~1. Current month~~ | ______ | ~~$__________~~ |
| ~~2. Preceding month~~ | ______ | __________ |
| ~~3. Second preceding month~~ | ______ | __________ |
| ~~4. TOTAL *[note 5]*~~ | | ~~$____________~~ |
| ~~5. RAC *[at questionnaire date]*~~ | | ~~$____________~~ |

~~**Is loss on line 4 greater than line 5?**~~ ______ ~~**YES/NO**~~

### ~~F. FREQUENCY PENALTY~~

~~Has Member:~~

1. ~~triggered Early Warning at least 3 times in the past 6 months or is RAC less than 0?~~ ______ ~~**YES/NO**~~
2. ~~triggered Liquidity or Capital Tests on Schedule 13?~~ ______ ~~YES/NO~~
3. ~~triggered Profitability Tests on Schedule 13?~~ ______ ~~YES/NO~~

~~**Are lines 2 and 3 both YES?**~~ ______ ~~YES/NO~~

## ~~SCHEDULES 13 AND 13A~~
## ~~NOTES AND INSTRUCTIONS~~

1. ~~The objective of the various Early Warning Tests is to measure characteristics likely to identify a firm heading into financial trouble and to impose restrictions and sanctions to reduce further financial deterioration and prevent a subsequent capital deficiency. "Yes" answers indicate Early Warning has been triggered.~~

   ~~If the firm is currently capital deficient (i.e. risk adjusted capital is negative), only Part F of Schedule 13A need be completed. Schedule 13 and the remainder of Schedule 13A need not be completed.~~

2. ~~The profit or loss figures to be used are before interest on internal subordinated debt, bonuses, income taxes and extraordinary items [Statement E, line 23]. Note that the "current month" figure must also reflect any audit adjustments made subsequent to the filing of the Monthly Financial Report.~~

3. ~~If either or both of the calculated totals is a profit, no further calculation under this section C need be done.~~

4. ~~If the balance is a profit, no further calculation under this section D need be done.~~

5. ~~If the total is a profit, no further calculation under this section E need be done.~~

**PART II**
**JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT**

______________________________
(Firm Name)

## PROVIDER OF CAPITAL CONCENTRATION CHARGE

| | | Amount (000's) |
|---|---|---|
| **A.** | **CALCULATION OF CASH AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL** | |
| 1. | Cash on deposit with provider of capital | $ |
| 2. | Cash, held in trust with provider of capital, due to free credit ratio calculation | |
| 3. | Loans receivable – undersecured loans receivable from provider of capital relative to normal commercial terms | |
| 4. | Loans receivable – secured loans receivable from provider of capital that are secured by investments in securities issued by the provider of capital | |
| 5. | Securities borrowed – securities borrowing agreements with the provider of capital that are undersecured relative to normal commercial terms | |
| 6. | Securities borrowed - secured securities borrowing agreements with the provider of capital that are secured by investments in securities issued by the provider of capital | |
| 7. | Resale agreements – agreements with the provider of capital that are undersecured relative to normal commercial terms | |
| 8. | Commissions and fees receivable from the provider of capital | |
| 9. | Interest and dividends receivable from the provider of capital | |
| 10. | Other receivables from the provider of capital | |
| 11. | Loans payable – loans payable to the provider of capital that are overcollateralized relative to normal commercial terms | |
| 12. | Securities lent – agreements with the provider of capital that are overcollateralized relative to normal commercial terms | |
| 13. | Repurchase agreements – agreements with the provider of capital that are overcollateralized relative to normal commercial terms | |
| **LESS:** | | |
| 14. | Bank overdrafts with the provider of capital | |
| 15. | **TOTAL CASH DEPOSITS AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL** | $ |
| **B.** | **CALCULATION OF INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL** | |
| 1. | Investments in securities issued by the provider of capital (net of margin provided) | $ |
| **LESS:** | | |
| 2. | Loans payable to provider of capital that are linked to the assets above and are limited recourse | |
| 3. | Securities issued by the provider of capital sold short provided they are used as part of a valid offset with the investments reported in Section B, Line 1 above | |
| 4. | **TOTAL INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL** | $ |

## ~~PART II~~
## ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

~~(Firm Name)~~

## ~~PROVIDER OF CAPITAL CONCENTRATION CHARGE~~

| | | | ~~Amount (000's)~~ |
|---|---|---|---|
| **~~C.~~** | | **~~CALCULATION OF FINANCIAL STATEMENT CAPITAL PROVIDED BY THE PROVIDER OF CAPITAL~~** | |
| ~~1.~~ | | ~~Financial statement capital provided by provider of capital (including pro-rata share of contributed surplus and retained earnings)~~ | ~~$~~ |
| **~~D.~~** | | **~~NET ALLOWABLE ASSETS~~** | |
| ~~1.~~ | | ~~Net Allowable Assets~~ | ~~$~~ |
| **~~E.~~** | | **~~EXPOSURE TEST #1 - DOLLAR CAP ON CASH DEPOSITS AND UNDERSECURED LOANS~~** | |
| ~~1.~~ | ~~Sec. C, line 1~~ | ~~Financial statement capital provided by provider of capital~~ | ~~$~~ |
| ~~2.~~ | ~~Sec. A, line 15~~ | ~~Cash deposits and undersecured loans with provider of capital~~ | |
| ~~3.~~ | | ~~Financial statement capital redeposited or lent back on an undersecured basis~~ *~~[Minimum of Section E, Line 1 and Section E, Line 2]~~* | ~~$~~ |
| ~~4.~~ | | ~~Exposure threshold~~ | ~~$ 50,000~~ |
| ~~5.~~ | | ~~Capital requirement~~ *~~[Excess of Section E, Line 3 over Section E, Line 4]~~* | ~~$~~ |
| **~~F.~~** | | **~~EXPOSURE TEST #2 - OVERALL CAP ON CASH DEPOSITS AND UNDERSECURED LOANS AND INVESTMENTS~~** | |
| ~~1.~~ | ~~Sec. C, line 1~~ | ~~Financial statement capital provided by provider of capital~~ | ~~$~~ |
| ~~2.~~ | ~~Sec. A, line 15~~ | ~~Cash deposits and undersecured loans with provider of capital~~ ~~$~~ | |
| ~~3.~~ | ~~Sec. B, line 4~~ | ~~Investments in securities issued by the provider of capital~~ ~~$~~ | |
| ~~4.~~ | | ~~Total cash deposits and undersecured loans and investments~~ *~~[Section F, Line 2 plus Section F, Line 3]~~* | ~~$~~ |
| ~~5.~~ | | ~~Financial statement capital redeposited or lent back on an undersecured basis or invested in securities issued by the provider of capital~~ *~~[Minimum of Section F, Line 1 and Section F, Line 4]~~* | ~~$~~ |
| **~~LESS:~~** | | | |
| ~~6.~~ | ~~Sec. E, line 5~~ | ~~Capital charge incurred under Exposure Test #1~~ | ~~$~~ |

~~7. Net financial statement capital redeposited or lent back on an undersecured basis or invested in securities issued by the provider of capital~~ ~~*[Section F, Line 5 minus Section F, Line 6]*~~

~~8. Exposure threshold being the greater of:~~

~~(a) Ten million dollars $ 10 000~~

~~(b) 20% of Net Allowable Assets *[20% of Section D, Line 1]* $~~ ~~$~~

~~9. Capital requirement *[Excess of Section F, Line 7 over Section F, Line 8]*~~ ~~$~~

~~**TOTAL PROVIDER OF CAPITAL CONCENTRATION CHARGE**~~
~~*[Section E, Line 5 plus Section F, Line 9]*~~ ~~$~~

## ~~SCHEDULE 14~~
## ~~NOTES AND INSTRUCTIONS~~

~~1.The purpose of this schedule is to measure the exposure a Member firm has to each of its providers of capital (as defined below). As such is the case, a separate copy of this schedule should be completed for each provider of capital where the capital provided is in excess of $10 million.~~

~~2.For the purposes of this schedule:~~

~~"capital provided" is:~~
- ~~The face amount of subordinated debt provided by the provider of capital, plus~~
- ~~The book amount of equity capital provided by the provider of capital plus a pro-rata share of contributed surplus and retained earnings~~

~~A "provider of capital" is:~~
- ~~An individual or entity and its affiliates that provides capital [as defined above in "capital provided"] to a Member firm~~

**~~CALCULATION OF CASH AND UNDERSECURED LOANS WITH PROVIDER OF CAPITAL~~**

~~**Section A, Line 3** – The undersecured amount to be reported on this line refers to any deficiency between the market value of the collateral received for the loan and the amount of the loan receivable that is greater than the percentage [the percentage is determined by dividing the deficiency by the market value of the collateral received] deficiency required under normal commercial terms.~~

~~**Section A, Line 4** – The amount to be reported on this line refers to the entire loan receivable balance if the only collateral received for the loan is securities issued by the provider of capital or its affiliates.~~

~~**Section A, Line 5** – The undersecured amount to be reported on this line refers to any deficiency between the market value of the collateral received for the loan and the amount of the loan receivable or the market value of the securities delivered as collateral that is greater than the percentage [the percentage is determined by dividing the deficiency by the market value of the collateral received] deficiency required under normal commercial terms.~~

~~**Section A, Line 6** – The amount to be reported on this line refers to the entire loan receivable balance or the market value of the securities delivered as collateral if the only collateral received for the loan is securities issued by the provider of capital or its affiliates.~~

~~**Section A, Line 7** – The undersecured amount to be reported on this line refers to any deficiency between the market value of the security received pursuant to the resale agreement and the amount of the loan receivable that is greater than the percentage [the percentage is determined by dividing the deficiency by the market value of the security received] deficiency required under normal commercial terms. If the security received is a security issued by the provider of capital or its affiliates the collateral is assumed to have no value for the purposes of the above calculation.~~

~~**Section A, Lines 8, 9 and 10** – The amount to be reported on these lines refers to the amount of the loan receivable less any collateral provided other than securities issued by the provider of capital or its affiliates.~~

~~**Section A, Line 11** – The overcollateralized amount to be reported on this line refers to any deficiency between the market value of the collateral delivered for the loan and the amount of the loan payable that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.~~

~~**Section A, Line 12** – The overcollateralized amount to be reported on this line refers to any deficiency between the market value of the collateral delivered pursuant to the securities lending agreement and the amount of the loan payable or the market value of the securities received as collateral that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.~~

~~**Section A, Line 13** – The overcollateralized amount to be reported on this line refers to any deficiency between the market value of the collateral delivered pursuant to the repurchase agreement and the amount of the loan payable that is greater than the percentage [the percentage is determined by dividing the deficiency by the amount of the loan payable] deficiency required under normal commercial terms.~~

**~~CALCULATION OF INVESTMENTS IN SECURITIES ISSUED BY THE PROVIDER OF CAPITAL~~**

~~**Section B, Line 1** – Include all investments in securities issued by the provider of capital or its affiliates.~~

~~**Section B, Line 2** – Include only those loans where the agreement executed includes the industry standard wording set out in the Limited Recourse Call Loan Agreement.~~

~~**Section B, Line 3** – Include only those security positions that are otherwise eligible for offset pursuant to SRO capital requirements.~~

**~~CALCULATION OF FINANCIAL STATEMENT CAPITAL PROVIDED BY THE PROVIDER OF CAPITAL~~**

~~**Section C, Line 1** – Include the face amount of subordinated debt provided by the provider of capital, plus the book amount of equity capital provided by the provider of capital plus a pro-rata share of contributed surplus and retained earnings.~~

## ~~PART II~~
## ~~JOINT REGULATORY FINANCIAL QUESTIONNAIRE AND REPORT~~

______________________________

~~(Firm Name)~~

**~~SUPPLEMENTARY INFORMATION~~**
**~~(Figures not subject to audit)~~**

**~~A. Segregation~~**~~:~~

~~Aggregate market value of securities required to be recalled from call loans~~ ~~$~~ ______________

**~~B. Number of employees~~**~~: registered~~ ______________

~~other~~ ______________

**~~C. Number of trades executed during the month:~~**

| | |
|---|---|
| ~~Bonds~~ | ______________ |
| ~~Money Market~~ | ______________ |
| ~~Equities: Listed Cdn~~ | ______________ |
| ~~Foreign~~ | ______________ |
| ~~Options~~ | ______________ |
| ~~Futures Contracts~~ | ______________ |
| ~~Mutual Funds~~ | ______________ |
| ~~New Issues~~ | ______________ |
| ~~Other~~ | ______________ |
| **~~TOTAL~~** | ______________ |

**~~NOTE:~~**

~~1.Trade tickets, not fills, for all markets should be counted.~~