MEMBER REGULATION

INVESTMENT DEALERS ASSOCIATION OF CANADA

notice

ASSOCIATION CANADIENNE DES COURTIERS EN VALEURS MOBILIÈRES

ATTENTION:
Ultimate Designated Persons
Chief Financial Officers
Panel Auditors

Please distribute internally to:
Internal Audit
Operations
Regulatory Accounting

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MR0525

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Acceptable Alternative Procedures for U.S. Broker Reconciliations (Statement B, Form 1)

This notice is intended to provide clarification regarding the required practice and acceptable alternative procedures (if applicable) for classifying and documenting trades as resolved for over-the-counter (OTC) trades and financing transactions with U.S. counterparties.

The notes and instructions to Statement B, Line 20, state: "Items are considered unresolved unless: (i) a written acknowledgement from the counterparty of a valid claim has been received; and (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…."

The reconciliation of certain U.S. counterparty transactions, such as OTC trades and financing transactions provide reporting challenges to Members, insofar as the U.S. counterparty is only required to provide statements not less than once every calendar quarter in accordance with NASD rule 2340. There is no requirement to provide statements on a monthly basis.

The following are acceptable alternatives to the requirements of a month-end statement:

	Required	**Acceptable Alternative Procedures**
U.S. Counterparty	Monthly Statement	• For those transactions not confirmed through an acceptable clearing organization, positive confirmation from the other broker must be obtained or alternatively, the member must provide satisfactory evidence that the trade settled. In addition, a quarterly statement must be obtained from the US counterparty to ensure

		for completeness that all trades cleared and were reconciled during the quarter. • For those transactions confirmed through CDS, NSCC, DTC or any other acceptable clearing organization, month-end open item reports and / or outstanding fails reports is an acceptable form of 3rd party reconciliation.
Canadian Counterparty	Monthly Statement	• Where the counterparty is processing the trade through the clearing corporation, month-end outstanding reports are acceptable for reconciliation purposes. • In all other instances a monthly statement is required.

IDA By-laws and Regulations referenced in this Notice:

- Form 1, Statement B