Rule Consolidation Project – CIRO Form 1

Proposed amendments to CIRO Rules have been published for comments under CIRO Bulletin 25-0277 *Republication of Proposed Amendments - Fully paid securities lending and financing arrangements*. We show how these proposed amendments, presented in grey boxes, will be brought into the CIRO Form 1 if approved in their current state, for awareness and context only.

A clean copy of the proposed CIRO Form 1 follows:

Form 1 – Table of contents

_____

Dealer Member's name

_____

Date

[1] Where a *Mutual Fund Dealer Member* decides to use client free credit cash balances within their operations, the *Mutual Fund Dealer Member* must also file Statement F, and the auditors must file an audit opinion on Statements B, C and F.

[2] Where a *Mutual Fund Dealer Member* decides to offer margin accounts, the *Mutual Fund Dealer Member* must also file the appropriate client margin and concentration schedules, and the auditors must file the 'agreed-upon procedure report on compliance for insurance, segregation of investment products and guarantee/guarantor relationships relied upon to reduce margin requirements during the year – Investment Dealer Members'.

Form 1 – Table of contents (Continued)

[3] "Schedule 17, Supplementary information" and "Schedule 18, Assets under administration information" are not part of an audited Form 1 submission and the names of these schedules will not appear in the "Table of contents" on the electronic or hardcopy version of an audited Form 1 submission.

Form 1 – General notes and definitions

(1) Each *Dealer Member* must comply with the requirements in Form 1 as approved and amended from time to time by the *Board*.

Form 1 is a special purpose report that includes financial statements and schedules, and is to be prepared in accordance with International Financial Reporting Standards (IFRS), except as prescribed by *CIRO*.

(2) Each Dealer Member must complete and file the statements and schedules as listed in the tables below.

A Level 1, 2 and 3 *Mutual Fund Dealer Member* must complete and file the following statements and schedules with the audited annual Form 1 and *monthly financial report*:

Annual Form 1	Monthly financial report
Statements A, B, C, D and E	Statements A, B, C, and D
Schedules 1 and 2	Schedule 2
Schedules 3 and 5	Schedule 11
Schedules 6 and 7 to 9B	Schedule 15
Schedules 11, 12 and 14	Schedule 17
Schedule 15	Schedule 18 – Part A only [4]

A Level 4 *Mutual Fund Dealer Member* must complete and file the following statements and schedules with the audited annual Form 1 and *monthly financial report*:

Annual Form 1	Monthly financial report
Statements A, B, C, D and E [1]	Statements A, B, C, and D [1]
Schedules 1 and 2	Schedule 2
Schedules 3 [2] and 5	Schedule 11
Schedules 6 and 7 to 9B [3]	Schedule 16 and 16A
Schedules 11, 12 and 14	Schedule 17
Schedule 16 and 16A	Schedule 18 – Part A only [4]

An *Investment Dealer Member* must complete and file the following statements and schedules with the audited annual Form 1 and *monthly financial report*:

Annual Form 1	Monthly financial report
Statements A, B, C, D, E and F	Statements A, B, C, D and F
Schedules 1 to 2B	Schedule 2
Schedules 4 and 5	Schedule 4 – Line 3(a) and 3(c) only
Schedules 6 to 8A	Schedule 11
Schedules 10 to 14	Schedule 16 and 16A
Schedule 16 and 16A	Schedule 17 – Part A, B and C only
	Schedule 18 – Part B only [4]

[1] A Level 4 *Mutual Fund Dealer Member* that chooses to use client free credit cash in their operations must also file Statement F in the annual Form 1 and *monthly financial report*.
[2] A Level 4 *Mutual Fund Dealer Member* that offers client margin lending must file Schedule 4 in the annual Form 1, instead of Schedule 3, and file Schedule 4 Line 3(a) and 3(c) in the *monthly financial report*.
[3] A Level 4 *Mutual Fund Dealer Member* that offers client margin lending must file Schedules 10, 10A and 10B instead of Schedules 9, 9A and 9B in the annual Form 1.
[4] This schedule must be completed and filed by the *Dealer Member*, as applicable, on a quarterly basis, and included as part of the *monthly financial report* package for that period.

(3) The following are Form 1 IFRS departures as prescribed by *CIRO*:

Matter	Prescribed IFRS departure
Client and broker trading balances	For client and broker trading balances, *CIRO* allows the netting of receivables from and payables to the same counterparty. A *Dealer Member* may choose to report client and broker trading balances in accordance with IFRS.

Matter	Prescribed IFRS departure
Preferred shares	Preferred shares issued by the *Dealer Member* and approved by *CIRO* are classified as shareholders' capital.
Presentation	Statements A and D contain terms and classifications (such as allowable and non-allowable assets) that are not defined under IFRS. For Statement D, the profit (loss) for the year on discontinued operations is presented on a pre-tax basis (as opposed to after-tax). In addition, specific balances may be classified or presented on Statements A, D and E in a manner that differs from IFRS requirements. The general notes and definitions, and the applicable notes and instructions to the Statements of Form 1, should be followed in those instances where departures from IFRS presentation exist. Statements B, C, and F are supplementary financial information, which are not statements contemplated under IFRS.
Separate financial statements on a non-consolidated basis	Consolidation of *subsidiaries* is not permitted for regulatory reporting purposes, except for related companies that meet the definition of a "*related company*" in subsection 1201(2) of the *CIRO* Rules and *CIRO* has approved the consolidation. Because Statement D only reflects the operational results of the *Dealer Member*, a *Dealer Member* must not include the income (loss) of an investment accounted for by the equity method.
Statement of cash flow	A statement of cash flow is not required as part of Form 1.
Subordinated loan	For regulatory reporting purposes, a subordinated loan must be reported at face value. Discounting of the subordinated loan amount is not permitted.
Valuation	The *CIRO requirements*' "*market value*" definition differs from the IFRS "fair value" definition as it does not assume that all *security*, precious metals bullion and futures contracts positions have a value and it provides specific instructions on how to value positions in these different types of financial assets.

(4) The following are Form 1 prescribed accounting treatments based on available IFRS alternatives:

Matter	Prescribed accounting treatment
Hedge accounting	Hedge accounting is not permitted for regulatory reporting purposes. All *security* and *derivative* positions of a *Dealer Member* must be marked-to-market at the reporting date. Gains or losses of the hedge positions must not be deferred to a future point in time.
Securities owned and sold short as held-for-trading	A *Dealer Member* must categorize all inventory positions as held-for-trading financial instruments. These *security* positions must be marked-to-market. Because *CIRO* does not permit the use of the available for sale and held-to-maturity categories, a *Dealer Member* must not include other comprehensive income (OCI) and will not have a corresponding reserve account relating to marking-to-market available for sale *security* positions.
Valuation of a *subsidiary*	A *Dealer Member* must value *subsidiaries* at cost.

(5) These statements and schedules are prepared in accordance with *CIRO requirements*.

(6) For purposes of these statements and schedules, the accounts of related companies that meet the definition of a "*related company*" in subsection 1201(2) of the *CIRO Rules* may be consolidated.

(7) For the purposes of the statements and schedules, the capital calculations must be on a trade date reporting basis unless specified otherwise in the notes and instructions to Form 1.

(8) *Dealer Members* may determine margin deficiencies for clients, brokers and dealers on either a settlement date basis or trade date basis. *Dealer Members* 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, *Dealer Members* must do so for all such accounts and consistently from period to period.

(9) Comparative figures on all statements are only required at the audit date.

(10) All statements and schedules must be expressed in Canadian dollars and must be rounded to the nearest thousand.

(11) Supporting details should be provided – as required - showing breakdown of any significant amounts that have not been clearly described on the statements and schedules.

(12) Mandatory *security* count - All *securities* except those held in *segregation* or *safekeeping* 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.

(13) Mandatory reconciliations - Reconciliations must be performed monthly in addition to the year-end audit date between the *Dealer Member*'s *records* and the *records* of the depository or custodian where the *Dealer Member* holds its own and client *securities*.

(14) The following terms have the meanings set out when used in Form 1 and the *CIRO requirements*:

"acceptable clearing corporation"	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. *CIRO* will maintain and regularly update a list of acceptable clearing corporations.
"acceptable counterparty"	An entity with whom a *Dealer Member* may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entities are as follows: (i) 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. (ii) 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. (iii) 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. (iv) Canadian provincial capital cities and all other Canadian cities and municipalities, or their equivalents, with populations of 50,000 and over. (v) Mutual funds subject to a satisfactory regulatory regime with total net assets in the fund in excess of $10 million. (vi) 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. (vii) Trusts and limited partnerships (other than *regulated entities*) 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. (viii) 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. (ix) 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. (x) 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. (xi) 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. (xii) Federal governments of foreign countries which do not qualify as a *Basel Accord country*. For the purposes of this definition, a satisfactory regulatory regime will be one within a *Basel Accord country*. *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 *CIRO*.
"acceptable exchange"	An entity that: (i) operates as an exchange for *securities* or *derivatives* transactions that is subject to legislation and oversight by a central or regional government authority in the country of operation, (ii) if applicable, maintains and enforces adequate initial and ongoing listing requirements for at least one exchange market or market tier, and (iii) maintains and enforces (or contracts with a regulatory services provider to maintain and enforce) adequate trading requirements for at least one exchange market or

	market tier.
"acceptable institution"	An entity with which a *Dealer Member* is permitted to deal on an unsecured basis without capital penalty. The entities are as follows: (i) Government of Canada, the Bank of Canada and provincial governments. (ii) 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. (iii) 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. (iv) 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. (v) Federal government of a *Basel Accord country*. (vi) 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. (vii) 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. (viii) 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. (ix) 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 a *Basel Accord country*. *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 *CIRO*.
"acceptable securities location"	A location considered suitable to hold *securities*, precious metals bullion and other like assets, on behalf of a *Dealer Member*, for both inventory and client positions, without capital penalty. To be suitable, the location must meet *segregation* and custody *CIRO requirements* including, but not limited to, the requirement for a written custody agreement.

	The written custody agreement must outline the terms under which *securities* are deposited and include the provisions set out in section 4353. The entities with locations that are considered suitable are as follows: (i) 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. *CIRO* will maintain and regularly update a list of those depositories and clearing agencies that comply with these criteria. (ii) *Acceptable institutions* and *subsidiaries* of *acceptable institutions* that satisfy the following criteria: (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 *Dealer Member* containing a legally enforceable indemnity by the *acceptable institution* in favour of the *Dealer Member* covering all losses, claims, damages, costs and liabilities in respect of *securities* and other property held for the *Dealer Member* and its clients at the *subsidiary's* location. (iii) *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. (iv) 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). (v) 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. (vi) *Regulated entities.* (vii) 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 Canadian $150 million as evidenced by the audited financial statements of such entity, provided that: (I) a foreign custodian certificate has been completed and signed in the prescribed form by the *Dealer Member's* board of directors or authorized committee, (II) a formal application in respect of each such foreign location is made by the *Dealer Member* to *CIRO* in the form of a letter enclosing the financial statements and certificate described above, and (III) the *Dealer Member* reviews each such foreign location annually and files a

	foreign custodian certificate with *CIRO* annually. (viii) For London Bullion Market Association (LBMA) gold and silver good delivery bars, those entities considered suitable to hold these bars on behalf of a *Dealer Member*, for both inventory and client positions, without capital penalty must: (a) be a market making member, full member, or affiliate member of the LBMA, (b) be on *CIRO's* list of entities considered suitable to hold LBMA gold and silver good delivery bars, and (c) have executed a written precious metals storage agreement with the *Dealer Member*, outlining the terms upon which such LBMA good delivery bars are deposited. The terms must include provisions that no use or disposition of these bars shall be made without the written prior consent of the *Dealer Member*, and these bars can be delivered to the *Dealer Member* promptly on demand. The precious metals storage agreement must provide equivalent rights and protection to the *Dealer Member* as the standard *securities* custodial agreement. (ix) Other locations which have been approved as an *acceptable securities location* by *CIRO*.
"Basel Accord country"	A country that is a member of the Basel Accord and has adopted the banking and supervisory rules set out in the Basel Accord. (The Basel 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 *Basel Accord countries* is included in the most recent Domestic and Foreign Acceptable Institutions (AI) and Acceptable Counterparties (AC) database.
"designated rating organization"	A credit rating organization, or its designated *affiliate*, or designated successor credit rating organization, that has been designated under *securities* laws. If the designation of a designated rating organization under *securities* laws is subject to terms and conditions that only recognize its credit ratings for certain purposes or certain asset classes, then any use of its credit ratings for the purposes of this definition is subject to the same terms and conditions, unless specified otherwise. Any reference to a particular rating category of a designated rating organization includes: (i) the corresponding rating category of another *designated rating organization*, (ii) where applicable, the corresponding rating category for short term debt, and (iii) a category that replaces that rating category.
"diversified investment product"	A *security* whose underlier is a basket of *investment products* consists of thirty or more products, where, (i) the single largest basket *investment product* position by weighting comprises not more than 20% of the overall *market value* of the basket, (ii) the average market capitalization associated with any *equity securities* in the basket is at least $100 million, (iii) the basket *securities* shall be from a broad range of industries and market sectors as determined by *CIRO* to represent diversification, (iv) any equity *securities* in the basket are listed and traded on an *acceptable exchange,* and

	(v) the basket of *investment products* does not include any *derivatives*.
"extended settlement date"	A transaction (other than a mutual fund *security* redemption) in respect of which the arranged settlement date is a date after regular settlement date.
"regulated entity"	An entity with whom a *Dealer Member* may deal on a value for value basis, with mark to market imposed on outstanding transactions. The entity is a *Dealer Member* or a *securities* dealer that is subject to adequate regulatory oversight by a regulator or self-regulatory organization equivalent to *CIRO*. For the purposes of this definition, regulators and self-regulatory organizations with equivalent dealer regulatory oversight must meet the following criteria: (i) require its dealers to be member firms of the *Investor Protection Fund* (*IPF*) or of an investor protection regime that is equivalent to *IPF*, (ii) be a government agency or a self-regulatory organization subject to regulatory oversight reviews by a government agency, (iii) require the *segregation* of customers' fully paid for *securities* by its regulated dealers, (iv) have rules that set out specific methodologies for the *segregation* of, or reserve for, customer credit balances, (v) have established rules regarding dealer and customer account margining, (vi) conduct regular examinations of its regulated dealers and monitor their regulatory capital on an ongoing basis, and (vii) require regular regulatory financial reporting by its regulated dealers. The regulators and self-regulatory organizations are determined at the discretion of *CIRO*, as made available on *CIRO*'s website.
"regular settlement date"	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.

Form 1 – Certificate of Ultimate Designated Person (UDP) and Chief Financial Officer (CFO)

_____

Dealer Member's Name

We have examined the attached statements and schedules and certify that, to the best of our knowledge, they present fairly the financial position and capital of the Dealer Member at _____<date>_____ and the results of operations for the period then ended, and are in agreement with the books of the Dealer Member.

We certify that the following information is true and correct to the best of 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 CIRO requirements:

		Answer
1.	Does the Dealer Member have adequate internal controls in accordance with the rules?	
2.	Does the Dealer Member maintain adequate books and records in accordance with the rules?	
3.	Does the Dealer Member monitor on a regular basis its adherence to early warning requirements in accordance with the rules?	
4.	Does the Dealer Member carry insurance of the type and in the amount required by the rules?	
5.	Where the Dealer Member uses client free credit cash in its operations, does the Dealer Member determine on a regular basis its free credit segregation amount and act promptly to segregate assets as appropriate in accordance with the rules?	
6.	Where the Dealer Member does not use client free credit cash in its operations, does the Dealer Member promptly segregate clients' cash in accordance with the rules?	
7.	Does the Dealer Member determine on a regular basis its segregation requirements and promptly segregate client securities, precious metal bullion and other like assets as appropriate in accordance with the rules?	
8.	Does the Dealer Member perform regular reconciliations of its bank and trust accounts in accordance with the rules?	
9.	Does the Dealer Member perform regular reconciliations of transactions and asset positions with the records of fund companies, financial institutions and other custodians in accordance with the rules?	
10.	Have all "concentrations of securities" been identified on Schedule 9 or 10?	

Do the attached statements fully disclose all assets and liabilities including the following:

11.	Participation in any underwriting or other agreement subject to future demands?	
12.	Outstanding puts, calls or other options?	
13.	All future purchase and sales commitments?	
14.	Writs issued against the Dealer Member or partners or any other litigation pending?	
15.	Income tax arrears?	
16.	Other contingent liabilities, guarantees, accommodation endorsements or commitments affecting the financial position of the Dealer Member?	

_____ _____

Ultimate Designated Person Date

_____ _____

Chief Financial Officer Date

_____ _____

Other Executive, if applicable Date

Form 1 – Certificate of Ultimate Designated Person (UDP) and Chief Financial Officer (CFO)
Notes and instructions

(1) For any questions answered "no," please provide an explanation.

(2) For any questions that are not relevant to the *Dealer Member's* business, respond with "N/A".

(3) To be signed by:

(i) *Ultimate Designated Person* (UDP),

(ii) *Chief Financial Officer* (CFO), and

(iii) at least one other *Executive* if the UDP and CFO are the same person.

Where there is only one individual that meets the qualifications of the positions listed above, this individual must sign the certificate.

Independent Auditor's Report for Statements A, D and E

To: <name of Self-Regulatory Organization> and <name of Investor Protection Fund>

Opinion

We have audited the Statements of Form 1 of <Dealer Member's name>, which comprise of:

- Statement A – Statements of financial position as at <date> and <date> ,
- Statement D - Statements of income and comprehensive income for the years ended <date> and <date> ,
- Statement E - Statements of changes in capital for the year ended <date>, and changes in retained earnings (or undivided profits) for the years ended <date> and <date>, and notes to the Statements, including material accounting policy information (collectively referred to as the Statements).

In our opinion, the accompanying Statements present fairly, in all material respects the financial position of the Dealer Member as at <date> and <date>, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the notes and instructions to Form 1 prescribed by <name of Self-Regulatory Organization>.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Statements section of our report. We are independent of the Dealer Member in accordance with the ethical requirements that are relevant to our audit of the Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting

We draw attention to note <note> to the Statements which describes the basis of accounting.

The Statements are prepared to assist the Dealer Member in complying with the financial reporting provisions of the notes and instructions to Form 1 prescribed by <name of Self-Regulatory Organization>. As a result, the Statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Material uncertainty related to going concern (Optional wording to either be removed or customized by respective audit firms)

We draw attention to note <note> in the statements which indicates that [insert key events and conditions that resulted in the material uncertainty]. As stated in note <note> in the Statements, these events and conditions, along with other matters as set forth in note <note> in the Statements, indicate that a material uncertainty exists that may cast significant doubt on the Dealer Member's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter – Unaudited information

We have not audited the information in Schedules 15, 16 and 16A of Part II of Form 1 and accordingly, do not express an opinion on these schedules.

Other matter – Restriction on use (Optional wording to either be removed or customized by audit firms)

Our report is intended solely for the Dealer Member, <name of Self-Regulatory Organization> and <name of Investor Protection Fund> and should not be used by parties other than the Dealer Member, <name of Self-Regulatory Organization> and <name of Investor Protection Fund>.

Responsibilities of management and those charged with governance for the Statements

Management is responsible for the preparation and fair presentation of the Statements in accordance with the financial reporting provisions of the notes and instructions to Form 1 prescribed by <name of Self-Regulatory Organization>, and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Statements, management is responsible for assessing the Dealer Member's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Dealer Member or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Dealer Member's financial reporting process.

Auditor's responsibilities for the audit of the Statements

Our objectives are to obtain reasonable assurance about whether the Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Dealer Member's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Dealer Member to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the Statements, including the disclosures, and whether the Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

_____

Audit firm

_____

Signature of the name of the audit firm

_____

Auditor address

_____

Date

Independent Auditor's Report for Statement B and C – Mutual Fund Dealer Members

To: <name of Self-Regulatory Organization> and <name of Investor Protection Fund>

Opinion

We have audited the Statements of Form 1 of <Dealer Member's name>, which comprise of:

- Statement B – Statements of net allowable assets and risk adjusted capital as at <date> and <date>
- Statement C - Statements of early warning excess and early warning reserve as at <date>,

In our opinion, the accompanying Statement B as at <date> and <date> and Statement C as at <date> are prepared, in all material respects, in accordance with the financial reporting provisions of the notes and instructions to Form 1 prescribed by <name of Self-Regulatory Organization>.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Statements section of our report. We are independent of the Dealer Member in accordance with the ethical requirements that are relevant to our audit of the Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting

We draw attention to note <note> to the Statements which describes the basis of accounting.

The Statements are prepared to assist the Dealer Member in complying with the financial reporting provisions of the notes and instructions to Form 1 prescribed by <name of Self-Regulatory Organization>. As a result, the Statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Material uncertainty related to going concern (Optional wording to either be removed or customized by respective audit firms)

We draw attention to note <note> in the Statements which indicates that (insert key events and conditions that resulted in the material uncertainty). As stated in note <note> in the Statements, these events and conditions, along with other matters as set forth in note <note> in the Statements, indicate that a material uncertainty exists that may cast significant doubt on the Dealer Member's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter – Unaudited information

We have not audited the information in Schedules 15, 16 and 16A of Part II of Form 1 and accordingly, do not express an opinion on these schedules.

Other matter – Restriction on use (Optional wording to either be removed or customized by audit firms)

Our report is intended solely for the Dealer Member, <name of Self-Regulatory Organization> and <name of Investor Protection Fund> and should not be used by parties other than the Dealer Member, <name of Self-Regulatory Organization> and <name of Investor Protection Fund>.

Responsibilities of management and those charged with governance for the Statements

Management is responsible for the preparation of the Statements in accordance with the financial reporting provisions of the notes and instructions to Form 1 prescribed by <name of Self-Regulatory Organization>, and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Statements, management is responsible for assessing the Dealer Member's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Dealer Member or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Dealer Member's financial reporting process.

Auditor's responsibilities for the audit of the Statements

Our objectives are to obtain reasonable assurance about whether the Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is

a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Dealer Member's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Dealer Member to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

_____

Audit firm

_____

Signature of the name of the audit firm

_____

Auditor address

_____

Date

Independent Auditor's Report for Statement B, C, and F – Investment Dealer Members

To: <name of Self-Regulatory Organization> and <name of Investor Protection Fund>

Opinion

We have audited the Statements of Form 1 of <Dealer Member's name>, which comprise of:

- Statement B - Statements of net allowable assets and risk adjusted capital as at <date> and <date>
- Statement C - Statements of early warning excess and early warning reserve as at <date>,
- Statement F- Statements of free credit segregation amount as at <date> (collectively referred to as the Statements).

In our opinion, the accompanying Statement B as at <date> and <date>, Statement C and F as at <date> are prepared, in all material respects, in accordance with the financial reporting provisions of the notes and instructions to Form 1 prescribed by <name of Self-Regulatory Organization>.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Statements section of our report. We are independent of the Dealer Member in accordance with the ethical requirements that are relevant to our audit of the Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Basis of accounting

We draw attention to note <note> to the Statements which describes the basis of accounting.

The Statements are prepared to assist the Dealer Member in complying with the financial reporting provisions of the notes and instructions to Form 1 prescribed by <name of Self-Regulatory Organization>. As a result, the Statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Material uncertainty related to going concern (Optional wording to either be removed or customized by respective audit firms)

We draw attention to note <note> in the Statements which indicates that (insert key events and conditions that resulted in the material uncertainty). As stated in note <note> in the Statements, these events and conditions, along with other matters as set forth in note <note> in the Statements, indicate that a material uncertainty exists that may cast significant doubt on the Dealer Member's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter – Unaudited information

We have not audited the information in Schedules 15, 16 and 16A of Part II of Form 1 and accordingly, do not express an opinion on these schedules.

Other matter – Restriction on use (Optional wording to either be removed or customized by audit firms)

Our report is intended solely for the Dealer Member, <name of Self-Regulatory Organization> and <name of Investor Protection Fund> and should not be used by parties other than the Dealer Member, <name of Self-Regulatory Organization> and <name of Investor Protection Fund>.

Responsibilities of management and those charged with governance for the Statements

Management is responsible for the preparation of the Statements in accordance with the financial reporting provisions of the notes and instructions to Form 1 prescribed by <name of Self-Regulatory Organization>, and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Statements, management is responsible for assessing the Dealer Member's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Dealer Member or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Dealer Member's financial reporting process.

Auditor's responsibilities for the audit of the Statements

Our objectives are to obtain reasonable assurance about whether the Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Dealer Member's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Dealer Member's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Dealer Member to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

_____

Audit firm

_____

Signature of the name of the audit firm

_____

Auditor address

_____

Date

Form 1 – Independent Auditor's Reports
Notes and instructions

(1) A measure of uniformity in the form of the auditor's reports 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 reports should take the form of the auditor's reports shown above.

(2) The auditor report form for Statement A, D and E is applicable for both *Mutual Fund Dealer Members* and *Investment Dealer Members*. The auditor report form for Statements B and C is applicable for *Mutual Fund Dealer Members* that do not use client free credit balances in their operations. The audit report form for Statements B, C and F is applicable to *Investment Dealer Members* and those *Mutual Fund Dealer Members* that choose to use client free credit balances in their operations under subsection 4382(2).

(3) Any limitations in the scope of the audit must be discussed in advance with *CIRO*. Discretionary scope limitations will not be accepted. Any other potential emphasis of matter and other matter paragraphs in the auditor's reports must be discussed in advance with *CIRO*.

Form 1, Part 1 – Statement A

_____

Dealer Member's name

Statement of financial position

at _____

	Reference	Notes	Current period C$000's	Previous period C$000's
Liquid assets				
1. Cash on deposit with acceptable institutions				
2. Client funds deposited in trust with acceptable institutions				
3. Cash, held in trust with acceptable institutions, due to free credit ratio calculation	Stmt. F			
4. Variable base deposits and margin deposits with acceptable clearing corporations [cash balances only]				
5. Margin deposits with regulated entities [cash balances only]				
6. Loans receivable, securities borrowed and resold	Sch. 1			
7. Securities owned - at market value	Sch. 2			
8. Securities owned and segregated due to free credit ratio calculation	Sch. 2			
9. Client accounts	Sch. 3/Sch. 4			
10. Brokers and dealers trading balances	Sch. 6			
11. Receivable from introducing or carrying broker				
12. Receivable from mutual fund				
13. **Total liquid assets**				
Other allowable assets (receivables from acceptable institutions)				
14. Current income tax assets	Sch. 7			
15. Recoverable and overpaid taxes				
16. Commissions and fees receivable				
17. Interest and dividends receivable				
18. Other receivables [provide details]				
19. **Total other allowable assets**				
20. **Total allowable assets** [Line 13 plus Line 19]				
Non-allowable assets				
21. Other deposits with acceptable clearing corporations [cash or market value of securities lodged]				
22. Deposits and other balances with non-acceptable clearing corporations [cash or market value of securities lodged]				
23. Commissions and fees receivable				
24. Interest and dividends receivable				
25. Deferred tax assets				

26.	Intangible assets			
27.	Property, plant and equipment			
28.	Investments in subsidiaries and affiliates			
29.	Advances to subsidiaries and affiliates			
30.	Other assets [provide details]			
31.	**Total non-allowable assets**			
32.	Finance lease assets			
33.	**Total assets**			
	Current liabilities			
51.	Bank overdrafts			
52.	Loans payable, securities loaned and repurchases	Sch. 8		
53.	Securities sold short - at market value	Sch. 2		
54.	Client accounts	Sch. 3/Sch. 4		
55.	Brokers and dealers trading balances	Sch. 6		
56.	Payable to introducing or carrying broker			
57.	Provisions			
58.	Current income tax liabilities	Sch. 7		
59.	Variable compensation payable			
60.	Bonuses payable			
61.	Accounts payable and accrued expenses			
62.	Finance leases and lease-related liabilities			
63.	Other current liabilities [provide details]			
64.	**Total current liabilities**			
	Non-current liabilities			
65.	Provisions			
66.	Deferred tax liabilities			
67.	Finance leases and lease-related liabilities			
68.	Other non-current liabilities [provide details]			
69.	Subordinated loans			
70.	**Total non-current liabilities**			
71.	**Total liabilities** [Line 64 plus Line 70]			
	Capital and reserves			
72.	Issued capital	Stmt. E		
73.	Reserves	Stmt. E		
74.	Retained earnings or undivided profits or fund balances	Stmt. E		
75.	**Total capital**			
76.	**Total liabilities and capital** [Line 71 plus Line 75]			

Form 1, Part I – Statement A

Notes and instructions

(1) *Dealer Members* are required to use the accrual basis of accounting.

(2) **Line 2 –** For *Mutual Fund Dealer Members*, include reconciled client cash balances in trust accounts that are held at a Canadian financial institution qualifying as an *acceptable institution.* For *Investment Dealer Members*, include client cash balances deposited in trust for RRSP and other similar accounts at a Canadian financial institution qualifying as an *acceptable institution*.

Such trust accounts must be insured by the Canada Deposit Insurance Corporation (CDIC) or Autorité des marchés financiers (AMF). If not, then the *Dealer Member* must report 100% of the balance held in trust as non-allowable assets on Line 30 (Non-allowable assets – other assets).

RRSP and other similar balances held at such trustee, but for which CDIC or the AMF insurance is not available, such as foreign currency accounts, can be classified as allowable assets.

The name of the RRSP trustee used by the *Dealer Member* must also be provided on Schedule 3 or Schedule 4.

(3) **Line 4 -** *Securities* on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on the supplementary information Line 13 of Schedule 2.

(4) **Line 5 -** *Securities* on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on the supplementary information Line 13 of Schedule 2.

(5) **Line 11 -** For an *introducing broker* (pursuant to an approved *introducing/carrying broker agreement*), include unsecured balances receivable from the *carrying broker*, such as gross commissions and deposits in the form of cash. Unsecured balances should only be included to the extent they are not being used by the *carrying broker* to reduce client margin requirements.

For a *carrying broker* (pursuant to an approved *introducing/carrying broker agreement*), include unsecured balances receivable from the *introducing broker*, such as service fees.

Securities on deposit (and related margin) should be included in balances reported on Inventory Schedule 2 and disclosed separately on the supplementary information Line 13 of Schedule 2.

(6) **Line 12 -** In the case of the *Registered Representative*'s portion of gross commissions and fees receivable, as recorded on Line 21 (Commissions and fees receivable), to the extent that there is written documentation that the broker does not have a liability to pay the *Registered Representative*'s commission until it is received, the *Registered Representative*'s portion of the gross commission receivable is an allowable asset.

(7) **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.

(8) **Line 15 -** Include the recoverable portion of capital tax, Part VI tax, property taxes and any federal or provincial sales taxes.

Include only to extent receivable from *acceptable institutions*.

(9) **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.

Include only to extent receivable from *acceptable institutions*.

(10) **Line 21 -** Report the cash and *market value* of *securities* lodged with *acceptable clearing corporations* that represent fixed base deposits.

(11) **Line 22 -** To the extent receivable from other than *acceptable clearing corporations*, include all deposits whether margin deposits or variable and fixed base deposits.

(12) **Line 23 -** To the extent receivable from parties other than *acceptable institutions.*

(13) **Line 24 -** To the extent receivable from parties other than *acceptable institutions.*

(14) **Line 26 -** Start-up and organizational costs cannot be capitalized. Examples of intangible assets include goodwill and client lists**.**

(15) **Line 28 -** Investments in *subsidiaries* and *affiliates* must be valued at cost.

(16) **Line 29 -** A *Dealer Member* must report non-trading inter-company receivables on a gross basis unless the criteria for netting are met.

(17) **Line 30 -** Including but not limited to such items as:
- advances to *employees* (gross)
- cash on deposit with non-acceptable institutions
- cash surrender value of life insurance
- other receivables from other than *acceptable institutions*
- prepaid expenses
- provincial contingency/fund deposits

(18) **Line 31 -** Non-allowable assets mean those assets that do not qualify as allowable assets.

(19) **Line 32 -** Assets arising from a finance lease (also known as a capitalized lease).

(20) **Line 51 –** Overdrawn operating cash balances.

(21) **Line 56 –** For an *introducing broker* (pursuant to an approved *introducing/carrying broker agreement*), include amounts payable to the *carrying broker* by the *introducing broker*.

For a *carrying broker* (pursuant to an approved *introducing/carrying broker agreement*), include amounts payable to the *introducing broker* by the *carrying broker*.

(22) **Line 57 -** Recognize a liability to cover specific expenditures relating to legal and constructive obligations. A *Dealer Member* cannot hold provisions as a general reserve to be applied against some other unrelated expenditure.

(23) **Line 59 –** Includes sales commissions and trailer fees owing to salespersons.

(24) **Line 60 -** Include discretionary bonuses payable and bonuses payable to shareholders in accordance with share ownership.

(25) **Line 63 -** Include unclaimed dividends and interest and current liabilities to subsidiaries and affiliates.

(26) **Line 68 -** Include non-current liabilities to subsidiaries and affiliates.

(27) **Line 69 -** Subordinated loans mean approved loans, pursuant to an agreement in writing in a form satisfactory to *CIRO*, obtained from a *chartered bank* or any other lending institution, *industry investor* approved as such by *CIRO*, or non-industry investor subject to *CIRO*'s approval, the payment of which is deferred in favor of other creditors and is subject to regulatory approval.

A *Dealer Member* must not pay a debt owed to any of its creditors contrary to any subordination or other agreement to which it and *CIRO* are parties.

(28) **Line 73 -** Reserve is an amount set aside for future use, expense, loss or claim – in accordance with statute or regulation. It includes an amount appropriated from retained earnings – in accordance with statute or regulation. It also includes accumulated other comprehensive income (OCI).

(29) **Line 74 –** The amount on this line represents the accumulated balance of income less losses arising from the operation of the business, after taking into account dividends and other direct charges or credits. For a *Dealer Member* structured as a corporation, this amount is referred to as retained earnings. For a *Dealer Member* structured as a partnership, this amount is referred to as undivided profits. For a *Dealer Member* structured as a not-for-profit organization, this amount is referred to as fund balances.

Form 1, Part I – Statement B

_____

Dealer Member's name

Statement of net allowable assets and risk adjusted capital

at _____

		Reference	Notes	Current period C$000's	Previous period C$000's
1.	Total capital	A-75			
2.	Add: Non-refundable leasehold inducements				
3.	Add: Subordinated loans	A-69			
3b.	Add: Non-current liabilities phase out adjustment (mutual fund dealers)				
4.	Deduct: Externally restricted fund balances (For NFP only)				
5.	Regulatory financial statement capital [Sum of Lines 1 to 3b minus Line 4]				
6.	Deduct: Total non-allowable assets	A-31			
7.	Net allowable assets [Line 5 minus Line 6]				
8.	Deduct: Minimum capital				
9.	**Subtotal** [Line 7 minus Line 8]				
Deduct - Margin required:					
10.	Loans receivable, securities borrowed and resold	Sch.1			
11.	Securities owned and sold short	Sch.2			
12.	Underwriting concentration	Sch.2A			
13.	Client accounts	Sch.3/Sch.4			
14.	Brokers and dealers	Sch.6			
15.	Loans and repurchases	Sch.8			
16.	Contingent liabilities [provide details]				
17.	Financial Institution Bond deductible [greatest under any clause]	Sch.11			
18.	Unhedged foreign currencies	Sch.12			
19.	Futures contracts	Sch.13			
20.	Provider of capital concentration charge	Sch.14			
20b.	Provider of capital concentration charge phase in adjustment (mutual fund dealers)				
21.	Securities held at non-acceptable securities locations				
22.	Client cash not segregated in trust				
23.	Acceptable counterparties financing activities concentration charge	Sch.8A			
24.	Unresolved differences [provide details]				
25.	Other [provide details]				
26.	**Total margin required** [Sum of Lines 10 to 25]				
27.	**Subtotal** [Line 9 less Line 26]				
28.	Add: Applicable tax recoveries	Sch.7A			

29.	Risk adjusted capital before securities concentration charge [Line 27 plus Line 28]				
30.	Deduct: Securities concentration charge of _____	Sch.9/Sch.10			
	less tax recoveries of _____	Sch.7A			
31.	**Risk adjusted capital** [Line 29 less Line 30]				

Form 1, Part I – Statement B supplemental

Dealer Member's name

Date

Statement B – Line 24: 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 and trust accounts						
(d) Intercompany accounts						
(e) Mutual funds – nominee accounts						
(f) Security counts						
(g) Other unreconciled differences						
Total						

Form 1, Part 1 – Statement B

Notes and instructions

(1) **Capital adequacy**

A *Dealer Member* must have and maintain at all times *risk adjusted capital* in an amount not less than zero.

(2) **Netting for margin calculation**

When applying the *CIRO requirements* for margin rules, a *Dealer Member* can net allowable assets and liabilities as well as *security* positions. Except where there is a prescribed IFRS departure, netting is for regulatory margin purposes only (and not for presentation purposes).

(3) **Line 2 – Non-current liability - non-refundable leasehold inducements**

In those cases where it can be demonstrated that the leasehold inducement presents no additional liability to the *Dealer Member* (i.e. the *Dealer Member* does not "owe" the unamortized portion of the inducement back to the landlord, thereby qualifying the landlord as a creditor of the *Dealer Member*), the non-current portion of the lease liability for leasehold inducements can be reported as an adjustment to *risk adjusted capital*.

(4) **Line 3b – Non-current liabilities phase out adjustment**

A *Mutual Fund Dealer Member* that reported non-current liabilities on their final MFD Form 1 before implementation of the CIRO Form 1 (Pre-CIRO Form 1 non-current liabilities) may add back a portion of these non-current liabilities when determining the net allowable assets during the transitionary period following the implementation of the *CIRO Rules*. On Line 3b the *Mutual Fund Dealer Member* should report the lesser of:

(i) the amount that equals the Pre-CIRO Form 1 non-current liabilities multiplied by the phase out percentage in the chart below:

Period following CIRO Rule Implementation	Phase out percentage
1st year	90%
2nd and 3rd year	80%
4th and 5th year	50%
6th year	0%

and

(ii) the current total non-current liabilities, excluding subordinated debt, reported on Statement A (Lines 65 to 68).

(5) **Line 4 – Externally restricted fund balances**

For *Dealer Members* that are structured as a not-for-profit (NFP), any fund balances that are restricted by an external party, other than *CIRO,* must be deducted from *risk adjusted capital*.

(6) **Line 8 – Minimum capital**

For *Mutual Fund Dealer Members*, the minimum capital amount is:

$25,000	for a firm designated as a Level 1 Dealer
$50,000	for a firm designated as a Level 2 Dealer that is not registered as an investment fund manager under *securities laws*
$75,000	for a firm designated as a Level 3 Dealer that is not registered as an investment fund manager under *securities laws*
$100,000	for a firm designated as a Level 2 or 3 Dealer that is also registered as an investment fund manager under *securities laws*
$200,000	for a firm designated as a Level 4 Dealer that does not use client free credit cash balances within their operations or offer margin accounts to clients
$250,000	for a firm designated as a Level 4 Dealer that uses client free credit cash balances within their operations or offers margin accounts to clients.

For *Investment Dealer Members*, the minimum capital amount is:

$75,000	for a firm that is a Type 1 *introducing broker*
$250,000	for a firm that is not a Type 1 *introducing broker*

(7) **Line 16 – Contingent liabilities**

No *Dealer Member* 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 *CIRO requirements*.

A *guarantee* of payment is not acceptable collateral to reduce margin required.

The *Dealer Member* should maintain and retain the details of the margin calculations for contingencies, such as *guarantees*, for *CIRO*'s review.

(8) **Line 20b – Provider of capital concentration phase in adjustment**

Where a *Mutual Fund Dealer Member* has a provider of capital concentration charge, the charge may be reduced by the following percentage during the transitionary period following the implementation of the *CIRO Rules*:

Period following CIRO Rule Implementation	Reduction percentage
1st year	90%
2nd and 3rd year	80%
4th and 5th year	50%
6th year	0%

On Line 20b the *Mutual Fund Dealer Member* should report the amount that equals the provider of capital concentration charge multiplied by the reduction percentage in the chart above. This amount will be reduced in the determination of the *total margin required*.

(9) **Line 21 – Securities held at non-acceptable securities locations**

(i) Capital Requirements

In general, the capital requirements for *securities* held in custody at another entity are as follows:

(a) 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 *Dealer Member*. The capital requirements for unresolved differences are discussed separately in the notes and instructions for the completion of Statement B, Line 24 below.

(b) Where the entity does not qualify as an *acceptable securities location*, the entity shall be considered a non-*acceptable securities locatio*n and the *Dealer Member* 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 *Dealer Member* has not entered into a written custodial agreement with the entity, as required by *CIRO requirements*, the capital requirement shall be determined as follows:

(I) Where setoff risk with the entity is present, the *Dealer Member* shall be required to deduct in the calculation of its *risk adjusted capital*, the lesser of:

(A) 100% of the setoff risk exposure to the entity, or

(B) 100% of the *market value* of the *securities* held in custody with the entity,

and

(II) The *Dealer Member* 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 (I) and (II) 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 (I)

and (II) above are greater than 100%, the capital required under paragraph (II) 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 (I) above, the term "setoff risk" shall mean the risk exposure that results from the situation where the *Dealer Member* has other transactions, balances or positions with the entity, where the resultant obligations of the *Dealer Member* might be setoff against the value of the *securities* held in custody with the entity.

(ii) Client Waiver

Where the laws and circumstances prevailing in a foreign jurisdiction may restrict the transfer of *securities* from the jurisdiction and the *Dealer Member* is unable to arrange for the holding of client *securities* in the jurisdiction at an *acceptable securities location*, the *Dealer Member* may hold such *securities* at a location in that jurisdiction if

(a) the *Dealer 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 *Dealer Member*, in a form approved by *CIRO*. Such a consent and waiver must be obtained on a transaction by transaction basis.

(10) **Line 22 – Cash not segregated in trust**

Where the *Dealer Member* is a *Mutual Fund Dealer Member* that does not use client free credit cash balances within their operations and the *Dealer Member* does not segregate client cash into a trust account within one business day following determination of the deficiency, the amount of the deficiency must be reported on this line as a capital charge.

(11) **Line 24 – 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 Form 1.

This does not include journal entries writing off the difference to profit or loss in the period subsequent to the date of Form 1.

Provision should be made for the *market value* and margin requirements at the Form 1 date on out-of-balance short *securities* and other adverse unresolved differences (such as, with banks, trust companies, mutual fund companies, brokers, clearing corporations) still unresolved as at a date one month subsequent to the Form 1 date or other applicable due date of Form 1.

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 *CIRO*, 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)	None
Money balance - debit (potential losses)	Money balance
Unresolved long with money on the *Dealer Member's* book	Money balance on the trade minus *market value* of the *security* [1] plus the applicable inventory margin
Unresolved long without money on the *Dealer Member's* books	None

[1] Money balance on the trade minus *market value* of the security is also referred to as the mark-to-market adjustment.

Unresolved short with money on the *Dealer Member's* books	*Market value* of the *security* minus money balance on the trade [2] 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 *Dealer Member's* books	*Market value* of the *security* plus the applicable inventory margin

If an adverse unresolved difference (deficiency) in a nominee name mutual fund position has not been resolved within thirty days of being discovered, the *Dealer Member* shall immediately purchase the *securities* that are short.

Where nominee name 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%.

(12) **Statement B Supplemental**

(i) 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 plus 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 reconciliations must be properly documented and made available for review by *CIRO*'s examination staff and the *Dealer Member's* auditor.

(ii) 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.

(13) **Line 25 – Other**

This item should include all margin requirements not mentioned above as outlined in the *CIRO requirements*.

[2] *Market value* of the security minus money balance on the trade is also referred to as the mark-to-market adjustment.

_____

Dealer Member's name

Statement of early warning excess and early warning reserve

at _____

		Reference	Notes	C$000's	Current period C$000's
1.	Risk adjusted capital	B-31			
	Liquidity items				
2.	Deduct: Other allowable assets	A-19			
3.	Deduct: Tax recoveries	Sch.7A			
4.	Deduct: Securities held at non-acceptable securities locations				
5.	Add: Non-current liabilities	A-70			
6.	Less: Subordinated loans	A-69			
7.	Less: Finance leases and lease-related liabilities	A-67			
7b.	Less: Portion of non-current liabilities phased in	B-3b			
8.	Adjusted non-current liabilities for early warning purposes [Line 5 less Lines 6, 7 and 7b]				
9.	Add: Tax recoveries - income accruals	Sch.7A			
10.	Add: Lesser of:				
	(a) Other allowable assets with provider of capital that resulted in capital charge reported on Line 10 (b) below				
	(b) Provider of capital concentration charge	Sch.14			
11.	**Early warning excess** [Line 1 less Lines 2 through 4 plus lines 8 through 10]				
12.	Deduct: Capital cushion - Total margin required $_____ multiplied by 5%	B-26			
13.	**Early warning reserve** [Line 11 less Line 12]				

Form 1, Part I – Statement C
Notes and instructions

(1) The early warning system is designed to provide advance warning of a *Dealer Member* encountering financial difficulties. It will anticipate capital shortages and/or liquidity problems and encourage *Dealer Members* to build a capital cushion.

(2) **Lines 2 and 3 -** These items are deducted from RAC because they are illiquid or the receipt is either out of the *Dealer Member*'s control or contingent.

(3) **Line 4 -** Pursuant to the notes and instructions for the completion of Statement B, Line 21, where the entity would otherwise qualify as an *acceptable securities location* except for the fact that the *Dealer Member* has not entered into a written custodial agreement with the entity, as required by the *CIRO requirements*, the *Dealer Member* 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*. Refer to the detailed calculation formula set out to the notes and instructions for the completion of Statement B, Line 21 to determine the capital requirement to be reported on Statement C, Line 4.

(4) **Lines 5 to 8** - Non-current liabilities (other than subordinated loans, and non-current portion of finance leases and lease-related liabilities) are added back to RAC as they are not current obligations of the *Dealer Member* and can be used as financing. The non-current liabilities are adjusted for the portion which has already been added back to RAC on Statement B by *Mutual Fund Dealer Members* using the phased approach.

(5) **Line 9 -** This add-back ensures that the *Dealer Member* is not penalized at the early warning level for accruing income.

(6) **Line 10 -**This add-back ensures that the *Dealer Member* is not penalized twice for other allowable assets that result in a provider of capital charge. The provider of capital concentration charge reported on line 10 (b) should be net of the transitionary phase in adjustment on line 20b of Statement B.

Form 1, Part I – Statement D

Dealer Member's name

Statement of income and comprehensive income

for the period ended _____

	Reference	Notes	Current period C$000's	Previous period C$000's
Commission revenue				
1. Listed securities				
2. Mutual funds				
3. Segregated funds				
4. Deposit instruments				
5. Listed options				
6. Futures contracts				
7. Over-the-counter derivatives				
8. Other investment products				
Principal revenue (realized/unrealized gains (losses))				
9. Listed securities				
10. Over-the-counter debt securities				
11. Money market				
12. Listed options and related underlying securities				
13. Futures contracts				
14. Over-the-counter derivatives				
15. Other investment products				
Corporate finance revenue				
16. New issues – equity				
17. New issues – debt				
18. Corporate advisory fees				
Other revenue				
19. Interest				
20. Fees from clients				
21. Referral fees				
22. Other fees				
23. Foreign exchange gains/losses				
24. Other [provide details]				
25. Total revenue				
Expenses				
26. Variable compensation				
27. Commissions and fees paid to third parties				
28. Bad debt expense				
29. Interest expense on subordinated debt				
30. Financing cost				

31.	Corporate finance cost			
32.	Unusual items [provide details]			
33.	Pre-tax profit (loss) for the period from discontinued operations			
34.	Operating expenses			
35.	**Profit (loss) for early warning test**			
36.	Income – Asset revaluation			
37.	Expense – Asset revaluation			
38.	Interest expense on internal subordinated debt			
39.	Bonuses			
40.	**Net income (loss) before income tax**			
41.	Income tax expense (recovery), including taxes on profit (loss) from discontinued operations	S-8(5)		
42.	Profit (loss) for period		E-11	
	Other comprehensive income			
43.	Gain (loss) arising on revaluation of properties		E-5a	
44.	Actuarial gain (loss) on defined benefit pension plans		E-5b	
45.	Other comprehensive income for the period, net of tax [Lines 43 plus 44]			
46.	Total comprehensive income for the period [Lines 42 plus 45]			

The following lines must also be completed when filing the monthly financial report:

47.	Payment of dividends or partner's drawings			
48.	Other [provide details]			
49.	Net change to retained earnings (or undivided profits or fund balances) [Sum of Lines 42, 47 and 48]			

Form 1, Part I – Statement D

Notes and instructions

(1) **Comprehensive income**

Comprehensive income represents all changes in equity during a period resulting from transactions and other events, other than changes resulting from transactions with owners in their capacity as owners. Comprehensive income includes profit and loss for the period and other comprehensive income (OCI). OCI captures certain gains and losses outside of net income. For regulatory financial reporting, two acceptable sources of other comprehensive income (OCI) are:

(i) the use of the revaluation model for plant, property and equipment (PPE) and intangible assets, and

(ii) the actuarial gain (loss) on defined benefit pension plans.

(2) **Line 1-8** – Report all gross commission revenue on the appropriate lines. Commissions earned on soft dollar deals with respect to the revenue source should also be included in the appropriate Lines 1 to 8. Commission paid to *registered representatives* must be reported on Line 26 (Expenses: variable compensation). Payouts to other brokers, mutual funds and segregated funds etc. must be reported on Line 27 (Expenses: commissions and fees paid to third parties).

(3) **Line 1** - Include all gross commissions earned on listed Canadian and foreign *securities* (including exchange-traded funds).

(4) **Line 2** - Include all gross commissions and trailer fees earned on mutual fund transactions (excluding exchange-traded funds which are reported on Line 1).

(5) **Line 3**- Include all gross commissions and trailer fees earned on segregated fund transactions.

(6) **Line 4** - Include all gross commissions earned on deposit instrument transactions.

(7) **Line 5** - Include all gross commissions earned on listed option contracts cleared through the Canadian Derivatives Clearing Corporation (CDCC) and foreign listed option transactions.

(8) **Line 6** - Include all gross commissions earned on listed futures contracts cleared through the CDCC and foreign listed futures contracts.

(9) **Line 7** - Include gross commissions earned on over-the-counter options, forwards, contracts-for-difference, FX spot, and swaps.

(10) **Line 8** - Include gross commissions earned on transactions in any other *investment products* not included in Lines 1-7.

(11) **Lines 9-15** – Report all principal revenue (realized/unrealized gains and losses) on the appropriate lines. Include any adjustment of inventories to *market value*. The financing costs must be reported separately on Line 30 (Expenses: financing cost).

(12) **Line 9** - Include all principal revenue (including dividends) from listed Canadian and foreign *securities* except those indicated on Line 12 (Listed options and related underlying *securities*).

(13) **Line 10** - Include revenue on all debt instruments, other than money market instruments.

(14) **Line 11** - Include revenue on all money market activities. Money market commissions should also be shown here.

(15) **Line 12** - Include all principal revenue (including dividends) from listed options cleared through CDCC and foreign listed option transactions, as well as related underlying *security* transactions in market makers' and *Dealer Member's* inventory accounts.

(16) **Line 13** - Include all principal revenue on futures contracts.

(17) **Line 14** – Include all principal revenue from *over-the-counter derivatives*, such as forward contracts and swaps.

(18) **Line 15** - Include all principal revenue from other *investment products* not included on Lines 9-14.

(19) **Line 16** - Include 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, and convertible debts.

Syndicate expenses must be reported separately on Line 31 (Expenses: corporate finance cost).

(20) **Line 17** - Include revenue relating to debt new issue business - Corporate and government issues, and Canada Savings Bond (CSB) commissions.

Amounts paid to CSB sub-agent fees and for syndicate expenses must be reported separately on Line 31 (Expenses: corporate finance cost).

(21) **Line 18** - Include revenue relating to corporate advisory fees, such as corporate restructuring, privatization, M&A fees.
The related expenses must be reported separately on Line 31 (Expenses: corporate finance cost).

(22) **Line 19** - Include all interest revenue, which is not otherwise related to a specific liability trading activity (i.e. other than debt, money market, and *derivatives*).
All interest revenue from carrying retail and *institutional client* account balances should be reported on this line. For example, interest revenue earned from client debit balances.
The related interest cost for carrying retail and *institutional client* accounts should be reported separately on Line 30 (Expenses: financing cost).

(23) **Line 20** - Include proxy fees, portfolio service fees, *segregation* and *safekeeping* fees, RRSP fees and any charges to clients that are not related to commission or interest.

(24) **Line 21** - Include all fees earned as a result of referring clients to another entity for products or services.

(25) **Line 22** - Include management fees, consulting fees and other fees charged to parties other than clients.

(26) **Line 23** - Include gains/losses from foreign exchange transactions.

(27) **Line 24** - Include all other revenue not reported in lines above.

(28) **Line 26** - Include commissions, bonuses and other variable compensation of a contractual nature.
Examples would encompass commission payouts to *registered representatives* and payments to institutional and professional trading personnel.
All contractual bonuses should be accrued monthly.
Discretionary bonuses should be reported separately on Line 39 (Expenses: bonuses).

(29) **Line 27** - Include payouts to other third parties such as other dealers and mutual fund companies.

(30) **Line 29** - Include all interest on external *subordinated debt*, as well as non-discretionary contractual interest on internal *subordinated debt*.

(31) **Line 30** - Include the financing cost for all inventory trading (related to Lines 9-15) and the cost of carrying client balances (related to Line 19).

(32) **Line 31** - Include syndicate expenses and any related corporate finance expenses, as well as CSB fees.

(33) **Line 32** - Unusual items result from transactions or events that are not expected to occur frequently over several years, or do not typify normal business activities.
Discontinued operations, such as a branch closure, should be reported separately on Line 33 (Expenses: Pre-tax profit/loss for the period from discontinued operations).

(34) **Line 33** - A discontinued operation is a business component that has either been disposed or is classified as held for sale and represents (or is part of a plan to dispose) a separate significant line of business or geographical area of operations. For example, branch closure. The profit/loss on discontinued operations for the period is on a pre-tax basis. The tax component is to be included as part of the income tax expense (recovery) on Line 41.

(35) **Line 34** - Include all operating expenses (including those related to soft dollar deals).
Over-certification cost relating to debt instruments should be reported on this line.
Transaction cost for inventory trading (specifically for inventory that are categorized as held-for-trading) should be included on this line.
The expense related to share-based payments (such as stock option or share reward) to *employees* and non-*employees* should be included on this line.

(36) **Line 35** - This is the profit/loss number used for the early warning profitability tests.

(37) **Line 36** - When a *Dealer Member* uses the revaluation model for its PPE and intangible assets, changes to the fair value may result in recognizing income after considering accumulated depreciation (or amortization) and OCI surplus.

(38) **Line 37** - When a *Dealer Member* uses the revaluation model for its PPE and intangible assets, changes to the fair value may result in recognizing expense after considering accumulated depreciation (or amortization) and OCI surplus.

(39) **Line 38** - Include interest expense on *subordinated debt* with related parties for which the interest charges can be waived

if required.

(40) **Line 39** - This category should include discretionary bonuses and all bonuses to shareholders in accordance with share ownership. These bonuses are in contrast to those reported on Line 26 (Expenses: variable compensation).

(41) **Line 41** - Include only income taxes and the tax component relating to the profit/loss on discontinued operations for the period.

Realty and capital taxes should be included on Line 34 (Expenses: operating expenses).

(42) **Line 42** – For a *Dealer Member* that is structured as a not-for-profit organization, the profit (loss) for the period reported on this line represents the excess of the revenue over the expenses.

(43) **Line 43** - When a *Dealer Member* uses the revaluation model to re-measure its PPE and intangible assets, changes to fair value may result in a change to shareholders' equity after considering accumulated depreciation (amortization) and income or expense from asset revaluation.

(44) **Line 44** - When a *Dealer Member* has a defined benefit pension plan and initially adopts a policy of recognizing actuarial gains and losses in full in OCI, the subsequent adjustments must be recognized in OCI.

(45) **Line 45** - For monthly financial reporting, other comprehensive income for the period on Line 45 is the net change to reserves on Statement A Line 73.

(46) **Line 48** - To be used for *monthly financial report* filing only.

(47) **Line 49** - To be used for *monthly financial report* filing only: Include direct charges or credits to retained earnings.

Any adjustment required to reconcile the *monthly financial report*'s retained earnings to the audited Form 1 retained earnings must be posted to the individual Statement D line items on the first *monthly financial report* that is filed after the adjustment is known.

Form 1, Part I – Statement E

_____

Dealer Member's name

Statement of changes in capital and retained earnings (corporations) or undivided profits (partnerships) or fund balances (not-for-profits)

for the year ended _____

A. Changes in issued capital

		Notes	Share capital or partnership capital [a] C$000's	Share premium [b] C$000's	Issued capital [c] = [a] + [b] C$000's
1.	Beginning balance				
2.	Increases (decreases) during the period [provide details]				
	(a)				
	(b)				
	(c)				
3.	Ending balance				

A-72

B. Changes in reserves

		Notes	General [a] C$000's	Properties revaluation [b] C$000's	Employee benefits [c] C$000's	Employee defined benefit pension [d] C$000's	Total reserves [e] = [a] + [b] + [c] + [d] C$000's
4.	Beginning balance						
5.	Changes during the period						
	(a) Other comprehensive income for the year – properties revaluation			D-43			
	(b) Other comprehensive income for the year – actuarial gain (loss) on defined benefit pension plans					D-44	
	(c) Recognition of share-based payments				D-34		
	(d) Transfer from/to retained earnings		E-12				
	(e) Other [provide details]						

B. Changes in reserves

6.	Ending balance					A-73

C. Changes in retained earnings [or undivided profits or fund balances]

		Notes	Operating fund (for NFP only) [a] C$000's	Internally restricted fund (for NFP only) [b] C$000's	Externally restricted fund (for NFP only) [c] C$000's	Retained earnings [undivided profits or fund balances] (Current year) [d] C$000's	Retained earnings [undivided profits or fund balances] (Previous year) C$000's
7.	Beginning balance						
8.	Effect of change in accounting policy [provide details]						
	(a)		N/A	N/A	N/A	N/A	
	(b)		N/A	N/A	N/A	N/A	
9.	As restated		N/A	N/A	N/A	N/A	
10.	Payment of dividends or partners drawings		N/A	N/A	N/A		
11.	Profit or loss (excess of revenue over expenses) for the year					D-42	
12.	Other direct charges or credits to retained earnings (or undivided profits or fund balances) [provide details]						
	(a)						
	(b)						
	(c)						
13.	Ending balance					A-74	

Form 1, Part I – Statement E
Notes and instructions

(1) **Section A - Changes in issued capital**

(i) Change in share or partnership capital

A *Dealer Member* must obtain prior approval from *CIRO* for significant changes in any class of common and preferred share or partnership capital in accordance with section 2107.

(ii) Share premium

When the *Dealer Member* sells its shares (initial issuance or from treasury), share premium is the excess amount received by the *Dealer Member* over the par value (or nominal value) of its shares. Share premium cannot be used to pay out dividends.

(2) **Section B - Changes in reserves**

(i) General reserve

General reserve is an amount set aside for future use, expense, loss or claim - in accordance with statute or regulation. It includes an amount appropriated from retained earnings – in accordance with statute or regulation. Appropriation directly from the income statement is not permitted for general reserves.

(ii) Reserve - employee benefits

When a *Dealer Member* has a defined benefit pension plan and initially adopts a policy of recognizing actuarial gains and losses in full in other comprehensive income (OCI), all subsequent adjustments must be recognized as other comprehensive income and will be accumulated in a reserve account.

When a *Dealer Member* has stock option or share award granted to its *employees* by issuing new shares, the *Dealer Member* recognizes the fair value of the option or new shares granted as an expense with a corresponding increase in a reserve account.

(iii) Reserve - properties revaluation

When using the revaluation model for certain non-allowable assets (PPE and intangibles), a *Dealer Member* will account the initial increase in value as other comprehensive income (OCI) and will accumulate the increase (and subsequent changes) in a revaluation reserve account.

(3) **Section C - Changes in retained earnings or undivided profits or fund balances**

(i) Change in accounting policy and retroactive adjustment of prior year's retained earnings

A change in accounting policy in the current year requires retroactive adjustment of the prior year's retained earnings. The beginning balance of the current year must be the ending balance of the prior year.

(ii) Fund balances

A *Dealer Member* structured as a not-for-profit organization must complete the columns for fund balances ([a], [b] and [c]) to show the changes in the fund balances. These columns are not applicable for a *Dealer Member* structured as a corporation or partnership. The total of the fund balances ([a]+[b]+[c]) must be reported in column [d] as the current total change in fund balances.

(iii) Retained earnings or undivided profits

A *Dealer Member* structured as a corporation or partnership must report their balances related to the current year change in retained earnings in column [d]. The summation of the fund balances ([a]+[b]+[c]) is only applicable to a *Dealer Member* structured as a not-for-profit organization.

Form 1, Part I – Statement F

_____

Dealer Member's name

Statement of free credit segregation amount

at _____

		Reference	Notes	Current year C$000's
A.	**Amount required to segregate based on general free credit limit**			
	General client free credit limit			
1.	Early warning reserve of $_____ multiplied by 12 [Report NIL if amount is negative]	C-13		
	Less client free credit balances:			
2.	Dealer Member's own			
3.	Carried for Type 3 Introducers			
4.	Total client free credit balances [Section A, Line 2 plus Section A, Line 3]			
5.	Amount required to segregate based on general client free credit limit [Section A, Line 4 minus Section A, Line 1; report NIL if result is negative]			
B.	**Amount required to segregate based on margin lending adjusted client free credit limit**			
	Client free credit limit for margin lending purposes			
1.	Early warning reserve of $_____ multiplied by 20 [Report NIL if amount is negative]	C-13		
	Less client free credit balances used to finance client margin loans:			
2.	Total settlement date client margin debit balances			
3.	Total client free credit balances [Include amount from Section A, Line 4 above]			
4.	Subtotal - Client free credit balances used to finance client margin loans [Lesser of Section B, Line 2 and Section B, Line 3]			
5.	Amount required to segregate relating to margin lending [Section B, Line 4 minus Section B, Line 1; report NIL if result is negative]			
	Free credit limit for all other purposes			
6.	Early warning reserve [Report NIL if amount is negative]	C-13		
7.	Total settlement date client margin debit balances divided by 20			
8.	Portion of early warning reserve available to support all other uses of client free credits [Section B, Line 6 minus Section B, Line 7; report NIL if result is negative]			
9.	Client free credit limit for all other purposes [Section B, Line 8 multiplied by 12]			
10.	Client free credits not used to finance margin loans [Section A, Line 4 minus Section B, Line 4]			
11.	Amount required to segregate relating to all other purposes [Section B, Line 10 minus Section B, Line 9; report NIL if result is negative]			
12.	Amount required to segregate based on margin lending adjusted client free credit limit [Section B, Line 5 plus Section B, Line 11]			
C.	**Amount required to segregate**			
1.	Amount required to segregate based on general client free credit limit [Section A, Line 5]			
2.	Amount required to segregate based on margin lending adjusted client free credit limit [Section B, Line 12]			
3.	Amount required to segregate [Lesser of Section C, Line 1 and Section C, Line 2 if Section B completed; otherwise Section C, Line 1]			

D. Amount in segregation

1.	Client funds held in trust in an account with an acceptable institution	A-3		
2.	Market value of securities owned and in segregation	Sch.2		
3.	Amount in segregation [Section D, Line 1 plus Section D, Line 2]			
4.	**Net segregation excess (deficiency)** [Section D, Line 3 minus Section C, Line 3]	B-22		

Form 1, Part I – Statement F
Notes and instructions

(1) The client free credit limit and *segregation* requirements must be calculated at least weekly, but more frequently if required, consistent with the monitoring requirements for the early warning tests. *Dealer Members* that use client free credit balances under section 4381 or subsection 4382(2) must report their free credit segregation amount on this statement.

(2) **Section A, Lines 2 and 3 –** *Free credit balances* in all accounts except RRSP and other similar accounts must be included.

In CIRO Bulletin 25-0277, we propose to add the following additional note under Note (2) into IDPC Form 1, which, once approved, we will incorporate into the CIRO Form 1:

Where the *Dealer Member* has borrowed the client's fully paid or excess margin *securities* and cash collateral is provided to the client by the *Dealer Member*, the cash collateral should not be included in *free credit balances*.

For purposes of this statement,

(i) 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.

(ii) For futures 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.

(iii) *Dealer Members* may calculate free credit balances on either a settlement date basis or trade date basis, but must use a consistent basis of calculating free credit balances from month to month.

(3) **Section A, Line 5 -** If nil, no further calculation on this Statement need be done.

(4) **Section B, Line 2 -** Client margin debit balances reported on this line must be determined on a settlement date basis in order to exclude margin debit amounts relating to pending trades that have not yet settled.

(5) **Section D, Line 1 -** The cash must be segregated in trust for clients in a separate account or accounts with a Canadian financial institution qualifying as an *acceptable institution* and this trust property must be clearly identified as such at the *acceptable institution*.

This calculation should exclude funds held in trust for RRSP and other similar accounts.

(6) **Section D, Line 2 -** The following *securities* are eligible for client free credit *segregation* purposes, provided they are segregated and held separate and apart from the *Dealer Member's* property:

Securities eligible for client free credit segregation purposes			
Category		**Minimum designated rating organization current credit rating**	**Qualification(s)**
1.	Bonds, debentures, treasury bills and other *securities* with a term of 1 year or less, issued or guaranteed by the following: (i) national governments of Canada, United Kingdom, and United States, or (ii) Canadian provincial governments	Not applicable (N/A)	Not applicable (N/A)
2.	Bonds, debentures, treasury bills and other *securities* with a term of 1 year or less, issued or guaranteed by any other	AAA	Foreign government of a *Basel Accord country*

	national foreign government not identified in category 1		
3.	Canadian bank paper with an original maturity of 1 year or less	R-1(low), F1, P-1, A-1(low)	No *designated rating organization* has a lower current credit rating Must be issued by a Canadian *chartered bank* *Securities* issued by a *provider of capital*, as defined in the notes and instructions to Schedule 14 are not eligible

(7) **Section D, Line 4 -** If negative, then a *segregation* deficiency exists, and the *Dealer Member* must correct the *segregation* deficiency within 5 *business days* following the determination of the deficiency. The *Dealer Member* must provide an explanation of how the deficiency was corrected and the date of correction.

_____

Dealer Member's name

Notes to the Form 1 financial statements

at _____

Form 1, Part II

Agreed-upon Procedures Report on compliance for insurance and segregation of cash and investment products – Mutual Fund Dealer Members

To: <Dealer Member>

Purpose of this Agreed-upon Procedures Report

Our report is solely for the purpose of providing <Dealer Member> (Dealer Member) with information to assist the <name of Self-Regulatory Organization> and the <name of Investor Protection Fund> in their assessment of the Dealer Member's compliance with certain requirements regarding maintaining minimum insurance and segregation of client cash and investment products as outlined in the CIRO Rules listed in the Procedures and Findings section below and may not be suitable for another purpose.

Responsibilities of the engaging party

The Dealer Member, <name of Self-Regulatory Organization> and <name of Investor Protection Fund> have acknowledged that the agreed-upon procedures, as required by <name of Self-Regulatory Organization>, are appropriate for the purpose of the engagement. The Dealer Member is responsible for the subject matter on which the agreed upon procedures are performed.

Practitioner's responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Canadian Standard on Related Services (CSRS) 4400, Agreed-upon Procedures Engagements. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Dealer Member, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional ethics and quality management

[Free form text]

[Sample: In performing the Agreed-upon Procedures engagement, we complied with the relevant ethical requirements in the rules of professional conduct/code of ethics applicable to the practice of public accounting issued by the various professional accounting bodies. We have also complied with the independence requirements that are relevant to assurance engagements in Canada.]

Our firm applies Canadian Standard on Quality Management (CSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and findings

We have performed the procedures described below, which were agreed upon with the Dealer Member with respect to the Dealer Member's compliance with certain requirements regarding maintaining minimum insurance and segregation of client cash and investment products as outlined in the CIRO Rules listed in the Procedures and Findings section below.

#	**Procedures**	**Findings [State the results of the procedures performed]**
(1)	Obtain the written internal control policies and procedures of the Dealer Member, from management of the Dealer Member, and inspect whether they include internal controls regarding: (i) maintaining insurance coverage as required in Part C of CIRO Rule 4400, and (ii) segregation of client cash and investment products as required in Part A and Part C of CIRO Rule 4300.	
(2)	Obtain written representation from management of the Dealer Member that "the Dealer Member's internal control policies and procedures regarding insurance and segregation of client cash and investment products meet the minimum requirements in Part A and C of CIRO Rule 4300 and Part C of CIRO Rule 4400 as at <period end date> and have been implemented." The name and title of those of management who provided the written representation are to be reported in the findings.	
(3)	Obtain the financial institution bond insurance policy (FIB) as at <period end date>, from management of the Dealer Member, and inspect whether the FIB: (i) clauses exist as per section 4456 of the CIRO Rules for: (a) Fidelity (b) On premises (c) In transit (d) Forgery or alteration (e) Securities (ii) includes the minimum coverage limits as per section 4457 or 4458 of the CIRO Rules.	
(4)	From a listing of all Dealer Member insurance brokers as at <period end date>, provided by management of the Dealer Member, confirm items (a) to (j) below for each insurance broker and report differences from details reported in the FIB and Form 1: (a) Insurance company name (b) Name of insured (c) FIB/registered mail (d) Expiry date (e) Coverage (f) Type of aggregate limit (g) Provision for full reinstatement (h) Premium (i) Deductible (j) Losses and claims	
(5)	From the report of total client net equity held as at <period end date>, provided by management of the Dealer Member. Agree the total client net equity held by the Dealer Member as at <period end date> to Schedule 11 of Form 1.	
(6)	From a listing of all segregation locations as at <period end date>, provided by management of the Dealer Member, inspect that each	

	segregation location meets the definition of "acceptable securities locations" as defined in the general notes and definitions to Form 1.	
(7)	From a listing of all cash segregation locations as at <period end date>, provided by management of the Member: (i) inspect that each cash segregation location meets the definition of "acceptable institutions" as defined in the general notes and definitions of Form 1; and (ii) for each account: (a) inspect that the account was designated as "in trust"; and (b) inspect that the account was interest bearing.	

[Optional: Restriction on Use]

[Free form text]

[Sample: This Agreed-upon Procedures Report is intended solely for the information and use of the Dealer Member, CIRO and Investor Protection Fund and is not intended to be and should not be used by other parties.]

Auditing firm

Date

Signature

Place of issue

[Optional: Additional information]

Form 1, Part II

Agreed-upon Procedures Report on compliance for insurance, segregation of investment products, and guarantee/guarantor relationships relied upon to reduce margin requirements during the year – Investment Dealer Members

To: <Dealer Member>

Purpose of this Agreed-upon Procedures Report

Our report is solely for the purpose of providing <Dealer Member> (Dealer Member) with information to assist the <name of Self-Regulatory Organization> and the <name of Investor Protection Fund> in their assessment of the Dealer Member's compliance with certain requirements regarding maintaining minimum insurance, segregation of client investment products, and maintaining guarantee/guarantor relationships for margin relief as outlined in the CIRO Rules listed in the Procedures and Findings section below and may not be suitable for another purpose.

Responsibilities of the engaging party

The Dealer Member, <name of Self-Regulatory Organization> and <name of Investor Protection Fund> have acknowledged that the agreed-upon procedures, as required by <name of Self-Regulatory Organization>, are appropriate for the purpose of the engagement. The Dealer Member is responsible for the subject matter on which the agreed upon procedures are performed.

Practitioner's responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Canadian Standard on Related Services (CSRS) 4400, Agreed-upon Procedures Engagements. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Dealer Member, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional ethics and quality management

[Free form text]

[Sample: In performing the Agreed-upon Procedures engagement, we complied with the relevant ethical requirements in the rules of professional conduct/code of ethics applicable to the practice of public accounting issued by the various professional accounting bodies. We have also complied with the independence requirements that are relevant to assurance engagements in Canada.]

Our firm applies Canadian Standard on Quality Management (CSQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and findings

We have performed the procedures described below, which were agreed upon with the Dealer Member with respect to the Dealer Member's compliance with certain requirements regarding maintaining minimum insurance, segregation of client investment products, and maintaining guarantee/guarantor relationships for margin relief as outlined in the CIRO Rules listed in the Procedures and Findings section below.

Form 1, Part II (Continued**)**

#	**Procedures**	**Findings [State the results of the procedures performed]**
(1)	Obtain the written internal control policies and procedures of the Dealer Member, from management of the Dealer Member, and inspect whether they include internal controls regarding: (i) maintaining insurance coverage as required in Part C of CIRO Rule 4400, and (ii) segregation of client investment products as required in Part A of CIRO Rule 4300.	
(2)	Obtain written representation from management of the Dealer Member that "the Dealer Member's internal control policies and procedures regarding insurance and segregation of client investment products meet the minimum requirements in Part A of CIRO Rule 4300 and Part C of CIRO Rule 4400 as at <period end date> and have been implemented." The name and title of those of management who provided the written representation are to be reported in the findings.	
(3)	Obtain written representation from management of the Dealer Member that "the Dealer Member's guarantee agreements include the minimum requirements in section 5825 of the CIRO Rules as at <period end date>."	
(4)	Obtain the financial institution bond insurance policy (FIB) as at <period end date>, from management of the Dealer Member, and inspect whether the FIB: (i) clauses exist as per section 4456 of the CIRO Rules for: (a) Fidelity (b) On premises (c) In transit (d) Forgery or alteration (e) Securities (ii) includes the minimum coverage limits as per section 4457 or 4458 of the CIRO Rules.	
(5)	From a listing of all Dealer Member insurance brokers as at <period end date>, provided by management of the Dealer Member, confirm items (a) to (j) below for each insurance broker and report differences from details reported in the FIB and Form 1: (a) Insurance company name (b) Name of insured (c) FIB/registered mail (d) Expiry date (e) Coverage (f) Type of aggregate limit (g) Provision for full reinstatement (h) Premium (i) Deductible (j) Losses and claims	

(6)	From a listing of all clients as at <period end date>, provided by management of the Dealer Member, select 10[1] client account statements. (i) Calculate the client net equity amount at as <period end date> for each client statement selected in accordance with the notes and instructions to Schedule 11 of Form 1. Calculate the total value of the securities for each client selected using the bid/ask price, where applicable. (ii) Agree the calculated client net equity amount for each client statement in procedure (6)(i) to the Total Client Net Equity Report as at <period end date>, provided by management of the Dealer Member. (iii) Agree the total client net equity from the Total Client Net Equity Report as at <period end date>, provided by management of the Dealer Member, to Schedule 11 of Form 1.	
(7)	From a listing of all segregation locations as at <period end date>, provided by management of the Dealer Member, inspect that each segregation location meets the definition of "acceptable securities locations" as defined in the general notes and definitions to Form 1.	
(8)	From a listing of all clients as at <period end date>, provided by management of the Dealer Member, select 10 client account statements. For each client account statement selected: (i) Calculate the segregation requirements in accordance with Part A of CIRO Rule 4300. (ii) Agree the calculation in procedure (8)(i) to the Segregation Report as at <period end date>, provided by management of the Dealer Member.	
(9)	From the Undersegregation Reports, provided by management of the Dealer Member, select 10 investment product positions reported as being undersegregated at various dates throughout the year. For the selected 10 investment product positions, inspect that the undersegregation was corrected within the timelines required by Part A of CIRO Rule 4300.	
(10)	From the list of hypothecated securities as at <period end date>, provided by management of the Dealer Member, select 10 security positions and compare each security position to the Segregation Report as at <period end date>, provided by management of the Dealer Member, and inspect that security positions held in segregation were not used to secure call loans.	
(11)	From the Stock Record and Position Report (SRP) as at <period end date>, provided by management of the Dealer Member, select 10 positions to identify a customer holding that position. For each client, compare the client's holding per the SRP to the individual customer account statement and inspect that the stock message on the customer account statement appropriately indicates whether that the investment product position was held in segregation. Select 10 segregated investment products from customer account statements as at <period end date>, provided by management of the Dealer	

[1] Samples are to be selected statistically, haphazardly or randomly.

	Member, and trace each segregated investment product to the SRP as at <period end date> and to the Segregation Report as at <period end date>, provided by management of the Dealer Member to inspect that the investment product position was held in segregation.	
(12)	Obtain a list of guarantee relationships, provided by management of the Dealer Member. From the listing obtained, select 10 guarantee relationships used by the Dealer Member to reduce the margin required during the period reported on the Form 1, for monthly financial reporting purposes. For each of the 10 guarantee relationships: (i) Obtain written confirmation of the guarantee relationship from the guarantor of the account(s) guaranteed and that the guarantee was in place as at <period end date>. (ii) Compare the wording of the guarantee agreements to the requirements in section 5825 of the CIRO Rules.	

[Optional: Restriction on Use]

[Free form text]

[Sample: This Agreed-upon Procedures Report is intended solely for the information and use of the Dealer Member, CIRO and Investor Protection Fund and is not intended to be and should not be used by other parties.]

Auditing firm

Date

Signature

Place of issue

[Optional: Additional information]

Form 1, Part II – Agreed-upon procedures reports
Notes and instructions

(1) For an *Investment Dealer Member*, the auditor must file the 'agreed-upon procedures report on compliance for insurance, segregation of *investment products* and guarantee/guarantor relationships relied upon to reduce margin requirements during the year.'

(2) For a *Mutual Fund Dealer Member*, the auditor must file the 'agreed-upon procedures report on compliance for insurance and segregation of cash and *investment products*' except:

(i) where a *Mutual Fund Dealer Member* decides to offer margin accounts, the auditors must file the 'agreed-upon procedure report on compliance for insurance, segregation of *investment products* and guarantee/guarantor relationships relied upon to reduce margin requirements during the year'.

(3) For a carrying broker, the auditor must perform agreed-upon procedures regarding the segregation of client fully paid and excess margin *securities*, which includes the accounts introduced by an introducing broker.

(4) For an introducing broker the auditor:

(i) is not required to conduct the agreed-upon procedures related to *securities* segregation, for accounts introduced to the carrying broker, or to provide reporting on such matters,

(ii) must evaluate, as part of their audit, whether it is necessary to obtain any form of assurance from the auditors of the carrying broker with respect to provisions of the introducing broker/carrying broker agreement.

Form 1, Part II – Schedule 1

Dealer Member's name

Date

Analysis of loans receivable, securities borrowed and resale agreements

	Amount of loan receivable or cash delivered as collateral C$000's [see note 3]	Market value of securities delivered as collateral C$000's [see note 4]	Market value of securities received as collateral or borrowed C$000's [see note 4]	Required to margin C$000's
Loan receivable				
1. Acceptable institutions		N/A		Nil
2. Acceptable counterparties		N/A		
3. Regulated entities		N/A		
4. Others [see note 15]		N/A		
Securities borrowed				
5. Acceptable institutions				Nil
6. Acceptable counterparties				
7. Regulated entities				
8. Others [see note 15]				
Resale agreements				
9. Acceptable institutions		N/A		Nil
10. Acceptable counterparties		N/A		
11. Regulated entities		N/A		
12. Others [see note 15]		N/A		
13. Total [Sum of lines 1 through 12]				
	A-6			B-10

Form 1, Part II – Schedule 1

Notes and instructions

(1) This schedule is to be completed for secured loan receivable transactions where the stated purpose of the transaction is to lend excess cash. All *security* borrowing and financing transactions done via 2 trade tickets, including resale transactions and those with related parties, should also be disclosed on this schedule.

(2) For the purpose of this schedule, the following terms have the meanings set out below:

"cash loan receivable"	A loan transaction where the purpose of the loan is for the *Dealer Member* to lend cash and receive *securities* as collateral from the counterparty.
"excess collateral deficiency"	(i) For a *cash loan receivable*, any excess of the amount of the loan over the *market value* of the actual collateral received from the transaction counterparty, or (ii) For a *securities borrow arrangement*, any excess of the *market value* of the actual collateral provided to the transaction counterparty over: (a) 102% of the *market value* of the *securities* borrowed, where cash is provided as collateral, or (b) 105% of the *market value* of the *securities* borrowed, where *securities* are provided as collateral.
"securities borrow arrangement"	A loan transaction where the purpose of the loan is for the *Dealer Member* to borrow *securities* and deliver cash or *securities* as collateral to the counterparty.

(3) Include accrued interest in amount of loan receivable.

(4) *Market value* of *securities* delivered or received as collateral should include accrued interest.

(5) **Written agreement requirements**

Any written agreement for a *cash loan receivable*, *securities borrow arrangement* or *securities* resale arrangement must:

(i) set out the rights of each party to retain and realize on *securities* delivered to it by the other party under the agreement if the other party defaults. These rights are in addition to other remedies in the agreement or available at law,

(ii) set out events of default,

(iii) provide for treatment of the *securities* or collateral value held by the non-defaulting party that is over the amount owed by the defaulting party, and

(iv) either:

(a) give the parties the right to set off their mutual debts, or

(b) enable the parties to effect a secured loan and provide that the lender must continuously segregate agreement collateral *securities*.

If the parties agree to a secured loan as provided in (iv)(b) above, and there is more than one method for the lender to perfect its *security* interest in the collateral, the lender must choose the method to achieve the highest priority in a default situation.

Whether the parties rely on set off or agree to a secured loan as provided in (iv)(b) above, the written agreement must provide for the *securities* borrowed, or the *securities* purchased under a resale arrangement, to be free and clear of any trading restrictions under *applicable laws*, and signed for transfer.

In CIRO Bulletin 25-0277, we propose to repeal and replace note 5 in IDPC Form 1 with the following, which, once approved, we will incorporate into the CIRO Form 1:

(5) **Written agreement requirements**

Any written agreement for a *cash loan receivable*, *securities borrow arrangement* or *securities* resale arrangement must:

(i) set out the rights of each party to retain and realize on the assets delivered to it by the other party under the agreement if the other party defaults. These rights are in addition to other remedies in the agreement or available at law,

(ii) set out events of default,

(iii) provide for treatment of the loaned or transferred asset value or the collateral value, held by the non-defaulting party that is over the amount owed by the defaulting party,

(iv) set out the right of either party to call, at any time by giving notice to the other party, for any shortfall in the required collateral, and

(v) either:

(a) give the parties the right to set off their mutual debts, or

(b) enable the parties to effect a secured loan and provide that the lender must continuously segregate agreement collateral *securities*.

If the parties agree to a secured loan as provided in (v)(b) above, and there is more than one method for the lender to perfect its *security* interest in the collateral, the lender must choose the method to achieve the highest priority in a default situation.

Whether the parties rely on set off or agree to a secured loan as provided in (v)(b) above, the written agreement must provide for the *securities* borrowed in the case of a *securities loan arrangement*, or the *securities* purchased in the case of a resale arrangement, to be free and clear of any trading restrictions under *applicable laws*, and signed for transfer.

(6) **Cash loan receivable**

(i) Margin requirements

The margin requirements for a *cash loan receivable* are as follows:

(a) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms in note 5, the margin required shall be:

(I) nil, where the counterparty to the transaction is an *acceptable institution* and the transaction has been confirmed with the *acceptable institution*, or

(II) 100% of the *market value* of the actual collateral provided to the transaction counterparty.

(b) Where a written agreement has been entered into that includes all of the required minimum terms in note 5, the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	**Margin required**
Acceptable institution	No margin[1]
Acceptable counterparty	*Excess collateral deficiency*[1]
Regulated entity	*Excess collateral deficiency*[1]
Other	Margin

[1] 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.

(7) **Securities borrow arrangements**

(i) Additional written agreement requirements for certain agency securities borrow arrangements where agent may be treated as equivalent to principal in which agent is also the third party custodian

Any written agreement for a *securities borrow arrangement* between the *Dealer Member* and an agent (on behalf of an underlying principal lender of *securities*) and who is also the custodian, may be reported and treated in the same manner for margin purposes as the equivalent principal *securities borrow arrangement* between the *Dealer Member* and the third party custodian agent, if:

(a) the third party custodian agent meets the definition of "financial intermediary" in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act), and

(b) all of the following additional terms (i.e. over and above those set out in note 5) are stipulated in the written agreement:

(I) the loan collateral must be held by the third party custodian agent and if the loan collateral is made up of *securities* there must be no right to re-hypothecate those *securities*, and

(II) in the event of the *Dealer Member* (i.e. the underlying principal borrower of *securities*) default, the loan collateral that has been posted with the third party custodian agent will be liquidated by the third party custodian agent and proceeds used to purchase the borrowed *security* which will be returned to the underlying principal lender. If the borrowed *security* cannot be purchased in the market, its equivalent value is returned to the underlying principal lender. Any excess value on the realization on the loan collateral will be returned by the third party custodian agent to the *Dealer Member*.

(ii) Additional written agreement requirements for certain agency securities borrow arrangements where agent may be treated as equivalent to principal in which agent and third party custodian are different entities

Any written agreement for a *securities borrow arrangement* between the *Dealer Member* and an agent (on behalf of an underlying principal lender of *securities*), which is accompanied by a written collateral management or custodial agreement between the *Dealer Member* and a third party custodian, may be reported and treated in the same manner for margin purposes as the equivalent principal *securities borrow arrangement* between the *Dealer Member* and the agent, if:

(a) the third party custodian and agent meet the definition of "financial intermediary" in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act), and

(b) all of the following additional terms (i.e. over and above those set out in note 5) are stipulated in the written agreements:

(I) the loan collateral must be held by the third party custodian and if the loan collateral is made up of *securities* there must be no right for the agent to re-hypothecate those *securities*, and

(II) in the event of the *Dealer Member* (i.e. the underlying principal borrower of *securities*) default, control over the loan collateral that has been posted with the third party custodian will be given by the third party custodian to the agent and the loan collateral will be liquidated and the resulting proceeds used to purchase the borrowed *security* which will be returned to the underlying principal lender. If the borrowed *security* cannot be purchased in the market, its equivalent value is returned to the underlying principal lender. Any excess value on the realization on the loan collateral will be returned by the agent to the *Dealer Member*.

(iii) Agency securities borrow arrangements where agent must not be treated as equivalent to principal

The *Dealer Member* must look through the agent in the agency *securities borrow arrangement* to the underlying principal lender and the agency *securities borrow arrangement* must be reported and treated in the same manner for margin purposes as the equivalent principal *securities borrow arrangement* between the *Dealer Member* and the underlying principal lender:

(a) where an agent is also the third party custodian and the requirements in note 7(i) are not all met, or

(b) where an agent and third party custodian are different entities and the requirements in note 7(ii) are not all met.

(iv) Margin requirements for securities borrow arrangements

The margin requirements for a *securities borrow arrangement* are as follows:

(a) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms in note 5, the margin required shall be:

(I) nil, where the counterparty to the transaction is an *acceptable institution* and the transaction has been confirmed with the *acceptable institution*, or

(II) 100% of the *market value* of the actual collateral provided to the transaction counterparty.

(b) Where a written agreement has been entered into that includes all of the required minimum terms in note 5, for margin purposes:

(I) for principal *securities borrow arrangements*, the counterparty is the principal in the *securities borrow arrangement*,

(II) for agency *securities borrow arrangements*, where an agent is involved and all of the requirements in the applicable note 7(i) or (ii) are met, the counterparty is the agent,

(III) for agency *securities borrow arrangements*, where an agent is involved and all of the requirements in the applicable note 7(i) or (ii) are not met, the counterparty is the underlying principal lender,

the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	Margin required
Acceptable institution	No margin[1]
Acceptable counterparty	*Excess collateral deficiency*[1]
Regulated entity	*Excess collateral deficiency*[1]
Other	Margin

[1] 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.

In CIRO Bulletin 25-0277, we propose to add the following clause into note 7 in IDPC Form 1, which, once approved, we will incorporate into the CIRO Form 1:

(c) Where the *Dealer Member* borrows fully paid or excess margin *securities* from a client pursuant to Part B.2 of 4600, the margin required is equal to the excess of the collateral required under subsection 4624(3) over the *market value* of the actual collateral segregated for the client in compliance with subsection 4624(5).

(8) **Securities resale arrangements**

(i) Written agreement requirements

If a *Dealer Member* has a written agreement for a *securities* resale arrangement, in addition to the terms in note 5, the agreement must include the parties acknowledgement that either party has the right on notice, to call for any shortfall in the difference between the collateral and *securities* at any time.

(ii) Additional written agreement requirements for certain agency securities resale arrangements where agent may be treated as equivalent to principal in which agent is also the third party custodian

Any written agreement for a *securities* resale arrangement between the *Dealer Member* and an agent (on behalf of an underlying principal seller) and who is also the custodian, may be reported and treated in the same manner for margin purposes as the equivalent principal *securities* resale arrangement between the *Dealer Member* and the third party custodian agent, if:

(a) the third party custodian agent meets the definition of "financial intermediary" in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act), and

(b) all of the following additional terms (i.e. over and above those set out in notes 5 and 8(i)) are stipulated in the written agreement:

(I) the cash proceeds from the purchased *securities* must be held by the third party custodian agent,

(II) the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) must either be held by:

(A) the *Dealer Member* separately from the third party custodian agent and the *Dealer Member* may re-hypothecate the purchased *securities* provided it has the right, or

(B) the third party custodian agent in the account of the *Dealer Member* and the *Dealer Member* may re-hypothecate the purchased *securities* provided it has the right and the purchased *securities* continue to be held by the third party custodian agent in the account or accounts of the new counterparty or counterparties, and

(III) in the event of the underlying principal seller default, the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) will be liquidated by the *Dealer Member* and proceeds used to satisfy the seller's obligations to the *Dealer Member*. Any excess value on the realization on the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) will be returned by the *Dealer Member* to the third party custodian agent.

(iii) Additional written agreement requirements for certain agency securities resale arrangements where agent may be treated as equivalent to principal in which agent and third party custodian are the different entities

Any written agreement for a *securities* resale arrangement between a *Dealer Member* and an agent (on behalf of an underlying principal seller), which is accompanied by a written collateral management or custodial agreement between the *Dealer Member* and a third party custodian, may be reported and treated in the same manner for margin purposes as the equivalent principal *securities* resale arrangement between the *Dealer Member* and the agent, if:

(a) the third party custodian and agent meet the definition of "financial intermediary" in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act), and

(b) all of the following additional terms (i.e. over and above those set out in notes 5 and 8(i)) are stipulated in the written agreements:

(I) the cash proceeds from the purchased *securities* must be held by the agent,

(II) the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) must either be held by:

(A) the *Dealer Member* separately from the third party custodian and the *Dealer Member* may re-hypothecate the purchased *securities* provided it has the right, or

(B) the third party custodian in the account of the *Dealer Member* and the *Dealer Member* may re-hypothecate the purchased *securities* provided it has the right and the purchased *securities* continue to be held by the third party custodian in the account or accounts of the new counterparty or counterparties, and

(III) in the event of the underlying principal seller default, control over the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) that has been posted with the third party custodian will be given by the third party custodian to the *Dealer Member* and the purchased *securities* will be liquidated by the *Dealer Member* and the resulting proceeds used to satisfy the seller's obligations to the *Dealer Member*. Any excess value on the realization on the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) will be returned by the *Dealer Member* to the agent.

(iv) Agency securities resale arrangements where agent must not be treated as equivalent to principal

The *Dealer Member* must look through the agent in the agency *securities* resale arrangement to the underlying principal seller and the agency *securities* resale arrangement must be reported and treated in the same manner for margin purposes as the equivalent principal *securities* resale arrangement between the *Dealer Member* and the underlying principal seller:

(a) where an agent is also the third party custodian and the requirements in note 8(ii) are not all met, or

(b) where an agent and third party custodian are different entities and the requirements in note 8(iii) are not all met.

(v) Margin requirements for securities resale arrangements

The margin requirements for a *securities* resale arrangement are as follows:

(a) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms in notes 5 and 8(i), the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	Margin required based on term of transaction	
	30 calendar days or less after regular settlement[1]	**Greater than 30 calendar days after regular settlement**[1]
Acceptable institution	No margin [2]	
Acceptable counterparty	*Market value* deficiency [2]	Margin
Regulated entity	*Market value* deficiency [2]	Margin
Other	Margin	200% of margin (to a maximum of the *market value* of the underlying *securities*)

[1] Regular settlement means the settlement date 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 refer to the original term of the resale transaction.

[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.

(b) Where a written agreement has been entered into that includes all of the required minimum terms in notes 5 and 8(i), for margin purposes:

(I) for principal *securities* resale arrangements, the counterparty is the principal in the *securities* resale arrangement,

(II) for agency *securities* resale arrangements, where an agent is involved and all of the requirements in the applicable note 8(ii) or (iii) are met, the counterparty is the agent,

(III) for agency *securities* resale arrangements, where an agent is involved and all of the requirements in the applicable note 8(ii) or (iii) are not met, the counterparty is the underlying principal seller,

the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	Margin required
Acceptable institution	No margin [1]
Acceptable counterparty	*Market value* deficiency [1]
Regulated entity	*Market value* deficiency [1]
Other	Margin

[1] 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.

In CIRO Bulletin 25-0277, we propose to repeal and replace note 8 in IDPC Form 1 with the following, which, once approved, we will incorporate into the CIRO Form 1:

(8) **Securities resale arrangements**

(i) Additional written agreement requirements for certain agency securities resale arrangements where agent may be treated as equivalent to principal in which agent is also the third party custodian

Any written agreement for a *securities* resale arrangement between the *Dealer Member* and an agent (on behalf of an underlying principal seller) and who is also the custodian, may be reported and treated in the same manner

for margin purposes as the equivalent principal *securities* resale arrangement between the *Dealer Member* and the third party custodian agent, if:

(a) the third party custodian agent meets the definition of "financial intermediary" in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act), and

(b) all of the following additional terms (i.e. over and above those set out in note 5) are stipulated in the written agreement:

(I) the cash proceeds from the purchased *securities* must be held by the third party custodian agent,

(II) the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) must either be held by:

(A) the *Dealer Member* separately from the third party custodian agent and the *Dealer Member* may re-hypothecate the purchased *securities* provided it has the right, or

(B) the third party custodian agent in the account of the *Dealer Member* and the *Dealer Member* may re-hypothecate the purchased *securities* provided it has the right and the purchased *securities* continue to be held by the third party custodian agent in the account or accounts of the new counterparty or counterparties, and

(III) in the event of the underlying principal seller default, the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) will be liquidated by the *Dealer Member* and proceeds used to satisfy the seller's obligations to the *Dealer Member*. Any excess value on the realization on the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) will be returned by the *Dealer Member* to the third party custodian agent.

(ii) Additional written agreement requirements for certain agency securities resale arrangements where agent may be treated as equivalent to principal in which agent and third party custodian are the different entities

Any written agreement for a *securities* resale arrangement between a *Dealer Member* and an agent (on behalf of an underlying principal seller), which is accompanied by a written collateral management or custodial agreement between the *Dealer Member* and a third party custodian, may be reported and treated in the same manner for margin purposes as the equivalent principal *securities* resale arrangement between the *Dealer Member* and the agent, if:

(a) the third party custodian and agent meet the definition of "financial intermediary" in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act), and

(b) all of the following additional terms (i.e. over and above those set out in note 5) are stipulated in the written agreements:

(I) the cash proceeds from the purchased *securities* must be held by the agent,

(II) the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) must either be held by:

(A) the *Dealer Member* separately from the third party custodian and the *Dealer Member* may re-hypothecate the purchased *securities* provided it has the right, or

(B) the third party custodian in the account of the *Dealer Member* and the *Dealer Member* may re-hypothecate the purchased *securities* provided it has the right and the purchased *securities* continue to be held by the third party custodian in the account or accounts of the new counterparty or counterparties, and

(III) in the event of the underlying principal seller default, control over the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) that has been posted with the third party custodian will be given by the third party custodian to the *Dealer Member* and the purchased *securities* will be liquidated by the *Dealer Member* and the resulting proceeds used to satisfy the seller's obligations to the *Dealer Member*. Any excess value on the realization on the purchased

securities (and any additional cash and *securities* provided for margin maintenance) will be returned by the *Dealer Member* to the agent.

(iii) Agency securities resale arrangements where agent must not be treated as equivalent to principal

The *Dealer Member* must look through the agent in the agency *securities* resale arrangement to the underlying principal seller and the agency *securities* resale arrangement must be reported and treated in the same manner for margin purposes as the equivalent principal *securities* resale arrangement between the *Dealer Member* and the underlying principal seller:

(a) where an agent is also the third party custodian and the requirements in note 8(i) are not all met, or

(b) where an agent and third party custodian are different entities and the requirements in note 8(ii) are not all met.

(iv) Margin requirements for securities resale arrangements

The margin requirements for a *securities* resale arrangement are as follows:

(a) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms in note 5, the margin required to be provided shall be determined according to the following table:

	Margin required based on term of transaction	
Transaction counterparty type	**30 calendar days or less after regular settlement**[1]	**Greater than 30 calendar days after regular settlement**[1]
Acceptable institution	No margin[2]	
Acceptable counterparty	*Market value* deficiency[2]	Margin
Regulated entity	*Market value* deficiency[2]	Margin
Other	Margin	200% of margin (to a maximum of the *market value* of the underlying *securities*)

[1] Regular settlement means the settlement date 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 refer to the original term of the resale transaction.

[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.

(b) Where a written agreement has been entered into that includes all of the required minimum terms in note 5, for margin purposes:

(I) for principal *securities* resale arrangements, the counterparty is the principal in the *securities* resale arrangement,

(II) for agency *securities* resale arrangements, where an agent is involved and all of the requirements in the applicable note 8(i) or (ii) are met, the counterparty is the agent,

(III) for agency *securities* resale arrangements, where an agent is involved and all of the requirements in the applicable note 8(i) or (ii) are not met, the counterparty is the underlying principal seller,

the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	**Margin required**
Acceptable institution	No margin[1]
Acceptable counterparty	*Market value* deficiency[1]
Regulated entity	*Market value* deficiency[1]
Other	Margin

[1] 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.

(9) 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 for margin calculation purposes.

(10) 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 *Dealer 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*.

(11) **Lines 2, 3, 6 and 7 -** In the case of a *cash loan receivable* or a *securities borrow arrangement* between a *Dealer Member* and either an *acceptable counterparty* or a *regulated entity*, 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 *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day*, it must be provided out of the *Dealer Member's* capital.

(12) **Lines 10 and 11 -** In the case of a resale transaction between a *Dealer Member* and either an *acceptable counterparty* or a *regulated entity*, where a deficiency exists between the *market value* of the *securities* resold and the *market value* of the 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 *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day*, it must be provided out of the *Dealer Member's* capital.

(13) **Lines 4, 8 and 12 -** In the case of a *cash loan receivable* or a *securities* borrowing or a resale arrangement/transaction between a *Dealer Member* 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 *Dealer Member'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 *Dealer Member* on a fully segregated basis or held in escrow on its behalf by a *securities* depository or clearing agency qualifying as an *acceptable securities location* 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 *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day*, it must be provided out of the *Dealer Member's* capital.

(14) **Lines 5, 6 and 7 -** In a *securities* borrowed transaction between a *Dealer Member* 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 *Dealer 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.

(15) **Lines 4, 8 and 12 -** Arrangements other than those regarding agency agreements where an agent may be treated as equivalent to principal in notes 7(i) and (ii) and 8(ii) and (iii) where an *acceptable institution*, *acceptable counterparty*, or *regulated entity* is only acting as an agent (on behalf of an "other" party) should be reported and margined as "Others".

In CIRO Bulletin 25-0277, we propose to repeal notes 13 to 15 and replace with notes 13 to 16 as follows in IDPC Form 1, which, once approved, we will incorporate into the CIRO Form 1:

(13) **Lines 4, 8 and 12 -** In the case of a *cash loan receivable* or a *securities* borrowing (excluding borrowing arrangements for client fully paid and excess margin *securities*) or a resale arrangement/transaction between a *Dealer Member* 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 *Dealer Member's* capital. The margin required may be reduced by any margin already provided on the collateral (e.g. in inventory). Where the collateral is cash or *securities* with a margin rate of 5% or less and the collateral is either held by the *Dealer Member* on a fully segregated basis or held in escrow on its behalf by a *securities* depository or clearing agency qualifying as an *acceptable securities location* 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 *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day*, it must be provided out of the *Dealer Member's* capital.

(14) **Line 8 -** In the case of *securities* borrowing arrangements for client fully paid and excess margin *securities* where a deficiency exists as calculated under Note 7(iv)(c), action must be taken to correct the deficiency. If no action is taken, the amount of deficiency must be immediately provided out of the *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day*, it must be provided out of the *Dealer Member's* capital.

(15) **Lines 5, 6 and 7 -** In a *securities* borrowed transaction between a *Dealer Member* 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 *Dealer 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.

(16) **Lines 4, 8 and 12 -** Arrangements other than those regarding agency agreements where an agent may be treated as equivalent to principal in notes 7(i) and (ii) and 8(i) and (ii) where an *acceptable institution*, *acceptable counterparty*, or *regulated entity* is only acting as an agent (on behalf of an "other" party) should be reported and margined as "Others".

Form 1, Part II – Schedule 2

Dealer Member's name

Date

Analysis of securities owned and sold short at market value

		Notes	Market value – Long C$000's	Market value – Short C$000's	Margin required C$000's
Category					
1.	Money market				
	Accrued interest				Nil
	Total money market				
2.	Debt				
	Accrued interest				Nil
	Total debt				
3.	Equities				
	Accrued interest on convertible debentures				Nil
	Total equities				
4.	Money market mutual funds			Nil	
	Other mutual funds			Nil	
	Total mutual funds			Nil	
5.	Options				
6.	Futures contracts		Nil	Nil	
7.	Over-the-counter derivatives				
8.	Registered traders, specialists and market makers		Nil	Nil	
9.	Other				
10.	Total			A-53	B-11
11.	**Less**: Securities, including accrued interest, segregated for client free credit ratio calculation		A-8 and F-Sec. D-2		
12.	Adjusted total		A-7		

Supplementary information

13.	Market value of securities included above but held on deposit as variable base deposits or margin deposits with acceptable clearing corporations or regulated entities or as a comfort deposit with a carrying broker	
14.	Margin reduction from offsets against Trader reserves and PDO guarantees	

Form 1, Part II – Schedule 2
Notes and instructions

(1) **Valuation and margin rates**

All *securities* are to be valued at *market value* as of the reporting date. The margin rates to be used are those outlined in the *CIRO requirements*.

(2) **All securities owned and sold short**

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. Where a *Dealer Member* invests its excess cash in *investment product* positions, such positions are considered to be inventory positions and must be reported on Schedule 2.

(3) **Margining of option positions**

Where the *Dealer Member* utilizes the computerized options margining program of an *acceptable exchange* operating in Canada, the margin requirement produced by such program may be used provided the positions in the *Dealer Member's records* agree with the positions in the exchange's 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 the exchange's computer-margining program must be provided. For the purposes of this paragraph, an *acceptable exchange* operating in Canada is limited to The Montreal Exchange (MX).

(4) **Request for detailed information**

The examiners of *CIRO* may request additional details of *securities* owned or sold short as they, in their discretion, believe necessary.

(5) **Margin offsets**

Where there are margin offsets between categories, the residual should be shown in the category with the larger initial margin required before offsets.

(6) **Line 1 -** Money market is to include Canadian & US treasury bills, bankers acceptances, bank paper (domestic & foreign), municipal and commercial paper or other similar instruments, except money market mutual funds which should be reported on Line 4.

(7) **Supplementary instructions for reporting money market commitments:**

"Market price" for money market commitments (fixed-term repurchases, calls, etc.) shall be calculated as follows:

(i) 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.

(ii) 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 (i) and commitment price is to be determined in the same manner using the yield stated in the repurchase commitment.

(iii) 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:

(a) the prescribed rate appropriate to the term of the *security*, and

(b) 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.

(8) **Line 8 -** Registered traders, specialists and market makers margin requirements are:

(i) The minimum margin requirement for each Toronto Stock Exchange (TSX) registered trader is $50,000.

(ii) The minimum margin requirement for each MX 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 TSX $50,000 for each specialist appointed and for the MX $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 *Dealer Member*.

The *market value*s 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.

(9) **Line 11 –** Report *securities* the *Dealer Member* has segregated to meet free credit segregation requirements on Statement F. Eligible *securities* are described in Statement F notes and instructions.

(10) **Line 14 -** Include margin reductions from offsets against IA reserves only to the extent there is a written agreement between the *Dealer Member* and the trader permitting the *Dealer Member* 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 *Dealer Member* (PDO Guarantees).

Dealer Member's name

Date

Margin for concentration in underwriting commitments

Individual concentration

Description [see note 3]	Market value C$000's	Normal margin C$000's	40% of Net allowable assets C$000's	Excess C$000's	Margin already provided C$000's [see note 2]	Concentration margin C$000's
1. Subtotal						

Overall concentration

Description [see note 5]	Market value C$000's	Normal margin C$000's	100% of Net allowable assets C$000's	Excess C$000's	Margin already provided C$000's [see note 4]	Concentration margin C$000's
2. Subtotal						
3. Concentration margin [Sum of lines 1 and 2]						

Form 1, Part II – Schedule 2A
Notes and instructions

(1) This schedule must 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:

(i) the use of a new issue letter, or

(ii) 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 *Dealer Member'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:

(i) the use of a new issue letter, or

(ii) 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 *Dealer Member'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.

Form 1, Part II – Schedule 2B

Dealer Member's name

Date

Underwriting issues margined at less than the normal margin rates

		Par value or number of shares			Market value				
Description	Maturity date	Long C$000's	Short C$000's	Market price	Long C$000's	Short C$000's	Effective margin rate %	Margin required C$000's	Expiry date
Totals									

Notes and instructions:

(1) The purpose of this schedule is to disclose all unsold portions of new and secondary issues held by underwriters that are margined at less than the normal margin rates applicable to those *securities* as permitted in the *CIRO requirements*. 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.

Form 1, Part II – Schedule 3

Mutual Fund Dealer Member's name

Date

Analysis of clients' trading accounts – Mutual Fund Dealer Members

		Balances		
		Debit	Credit	Margin
	Category	**C$000's**	**C$000's**	**C$000's**
1.	Acceptable institutions			
2.	Acceptable counterparties			
3.	Other clients:			
	(a) non-registered cash accounts			
	(b) RRSP and other registered cash accounts			
4.	Advanced Redemption Proceeds Receivable:			
	(a) non-registered accounts		N/A	
	(b) RRSP and other registered accounts		N/A	
5.	Total	A-9	A-54	B-13

6. **Supplementary disclosure:**
   (a) Name of RRSP trustee(s)
      1. _____
      2. _____
      3. _____

Form 1, Part II – Schedule 3
Notes and instructions

(1) This schedule must be completed by a *Mutual Fund Dealer Member* that is not offering margin lending to a client under subsection 5112(2). Although the *Mutual Fund Dealer Member* is not offering margin lending, the *Mutual Fund Dealer Member* may inadvertently extend credit to a client when client payments fail (e.g. NSF cheques). When any portion of the money balance in the account of the client is overdue the *Mutual Fund Dealer Member* must provide margin on this schedule.

(2) A *Mutual Fund Dealer Member* may choose to calculate the amount of margin as 100% of the client debit balance, instead of applying the different margin methodologies described in Notes 3 to 6. If the *Mutual Fund Dealer Member* applies the equity deficiency calculation in note 5(i), the *Mutual Fund Dealer Member* must report any concentration exposures on Schedule 10 in accordance with the same requirements as *Investment Dealer Members*.

(3) **Line 1** - No mark to market or margin is required on accounts with *acceptable institutions* except any transaction which has not been confirmed by an *acceptable institution* within 15 *business days* of the trade date.

Any transaction which has not been confirmed by an *acceptable institution* within 15 *business days* of the trade, shall be margined.

(4) **Line 2** - In the case of a transaction in the account of an *acceptable counterparty*, the amount of margin to be provided, commencing on settlement date, may be calculated as the equity deficiency, which is equal to the difference between (i) the net *market value* of all settlement date *investment product* positions in the customer's account(s) and (ii) 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, shall be margined.

(5) **Line 3(a)** - When any portion of the money balance in an account of a client, other than an *acceptable institution* or *acceptable counterparty* or *regulated entity,* is overdue for a period of less than 6 *business days* past *regular settlement date*, the following margin requirements may be applied:

(i) Commencing on *regular settlement date,* the margin required is the equity deficiency, if any, calculated by determining the difference between (a) the net *market value* of all settlement date *investment product* positions in the client's account(s) and (b) the net money balance on a settlement date basis in the same account(s), and

(ii) Commencing on 6 *business days* or more past *regular settlement date*, the amount of margin to be provided shall be 100% of the debit balance.

(6) **Line 3(b)** – In circumstances where a debit balance arises in a registered account, the following margin requirements may be applied:

(i) where the debit balance is identifiable to a particular *investment product* transaction, the margin requirements as set out in note 5 may be applied to the transaction,

(ii) where the debit balance arises from items that are contemplated by the *CIRO requirements* and *securities laws* and are set out in the trust agreement between the *Mutual Fund Dealer Member* and the individual planholder, such as a payment of administrative fees, which empowers a trustee to liquate trust property, then the margin account rules may be applied,

(iii) where the debit balance arises from other items not considered above, the balance must be treated as unsecured and 100% margin provided.

(7) **Line 4** – Where a *Mutual Fund Dealer Member* advances redemption proceeds to a client in accordance with section 5112(1), these proceeds are reported as debit balances on Line 4(a) and (b). The margin required to be reported by the *Mutual Fund Dealer Member* is equal to the amount of the advanced redemption proceeds.

(8) **Line 6** – The name of the RRSP trustee(s) used by the *Mutual Fund Dealer Member* must be provided. The RRSP or similar balances held at a trustee must be insured by the Canada Deposit Insurance Corporation (CDIC) or Quebec Deposit Insurance Corporation (QDIC).

Form 1, Part II – Schedule 4

Investment Dealer Member's name

Date

Analysis of clients' trading accounts – Investment Dealer Members

		Balances		
	Category	**Debit C$000's**	**Credit C$000's**	**Amount required to fully margin C$000's**
1.	Acceptable institutions			
2.	Acceptable counterparties			
3.	Other clients:			
	(a) Margin accounts			
	(b) Cash accounts			
	(c) Unsecured debits and shorts		N/A	
4.	Futures accounts			
5.	Margin on extended settlements	N/A	N/A	
6.	RRSP and other similar accounts			
7.	**Less** - allowance for bad debts			
8.	Total	A-9	A-54	B-13

9. **Supplementary disclosure:**

   (a) Name of RRSP trustee(s)

   1. _____
   2. _____
   3. _____

   (b) Total margin reductions from offsets against IA reserves and PDO guarantees

Form 1, Part II – Schedule 4

Notes and instructions

(1) A *Dealer Member* must obtain from and maintain for each of its clients, minimum margin in the amount and manner prescribed by *CIRO*. *Investment Dealer Members* must report their client balances and associated margin requirements on this schedule. If a *Mutual Fund Dealer Member* chooses to offer margin lending to its clients under subsection 5112(2), the *Mutual Fund Dealer Member* must report their client balances and associated margin requirements on this schedule in accordance with the same requirements as *Investment Dealer Members*.

(2) **Lines 1 to 4** - 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 12 and reported on Line 5.

In CIRO Bulletin 25-0277, we propose to amend note (2) as follows in IDPC Form 1, which once approved, we will incorporate into the CIRO Form 1:

(2) **Lines 1 to 4** - Balances reported on these lines should include:

(i) *extended settlement date* transactions, and

(ii) cash collateral provided to the client by the *Dealer Member*, where the *Dealer Member* has borrowed client fully paid or excess margin *securities*.

The margin related to extended settlements should be calculated as described in note 12 and reported on Line 5.

(3) **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

(i) any transaction which has not been confirmed by an *acceptable institution* within 15 *business days* of the trade date,

(ii) futures positions, which are margined as prescribed in subsections 5790(1) and (2).

This line is to include all trading balances with *acceptable institutions* except futures accounts. Futures accounts should be included on Line 4.

Any transaction which has not been confirmed by an *acceptable institution* within 15 *business days* of the trade shall be margined.

(4) **Line 2** - In the case of a *regular settlement date* transaction in the account of an *acceptable counterparty*, other than futures positions, which are margined as prescribed in subsections 5790(1) and (2), the amount of margin to be provided, commencing on *regular settlement date*, shall be the equity deficiency calculated by determining the difference between (i) the net *market value* of all settlement date *investment product* positions in the customer's account(s) and (ii) 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 shall be margined.

This line is to include all trading balances with *acceptable counterparties* futures accounts. Futures accounts should be included on Line 4.

(5) **Line 3(a) - "margin accounts"** means accounts which operate according to the following rules:

(i) 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 *investment products*, as the case may be.

(ii) 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 *investment products* to be deposited,

(c) applying the excess loan value in the account or in a guarantor's account.

(iii) 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.

(iv) Advancing funds or delivering *investment products* 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.

In CIRO Bulletin 25-0277, we propose to add the additional clause under note (5) as follows in IDPC Form 1, which once approved, we will incorporate into the CIRO Form 1:

(v) Where the *Dealer Member* borrows excess margin *securities* from the client's margin account, the collateral provided to the client cannot be used to reduce any margin required in the account.

(6) **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 *Investment Dealer Members* determining margin deficiencies for clients on a trade date basis, (i) any amount of margin required to be provided under this subsection shall be determined using money balances and *investment product* positions as of trade date, and (ii) the amount referred to in the previous paragraph shall be determined and provided commencing on trade date.

(7) **Line 3(b) - "cash accounts"** means accounts which operate according to the following rules:

(i) 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 8.

(ii) Delivery against payment (DAP)

Settlement of a purchase transaction in an account for which the customer has made arrangements with the *Investment Dealer Member* on or before settlement date for delivery by the *Investment Dealer Member* against payment in full by the customer shall be settled on the later of (a) settlement date or (b) the date on which the *Investment Dealer Member* gives notice to the customer that the *investment products* purchased are available for delivery.

(iii) Receipt against payment (RAP)

Settlement of a sale transaction in an account for which the customer has made arrangements with the *Investment Dealer Member* on or before settlement date for receipt of *investment products* by the *Investment Dealer Member* against payment to the customer shall be settled on the settlement date.

(iv) 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 *investment products* held long in any cash account of the customer with the *Investment Dealer 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 *Investment Dealer Member* provided adequate margin is maintained in such account immediately before and after the transfer.

(v) 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 *investment product* in any cash account of the customer with the *Investment Dealer 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.

(vi) 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 *Investment Dealer 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 *Investment Dealer Member* have been transferred in accordance with note 7(vii), 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 note 7(ii) the customer shall be restricted from entering into any other transaction (other than liquidating transactions) in any other account of the customer with the *Investment Dealer 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 *Investment Dealer Member* have been transferred in accordance with note 7(vii).

(vii) Transfer to margin account

The account restrictions in note 7(vi)(a) and (b) shall not apply to the accounts of a customer who (a) do not have a margin account with the *Investment Dealer Member*, and (b) on or after the accounts becoming so restricted, transfers all open and unsettled transactions in any cash account of the customer with the *Investment Dealer Member* to one or more newly established margin accounts of the customer with the *Investment Dealer 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.

(viii) Acceptable institutions and other

Note 7(vi) does not apply to the accounts of *acceptable institutions*, *acceptable counterparties*, non-*Dealer Member* brokers, or *regulated entities*.

(8) **Line 3(b)** - Margin must be provided as follows:

(i) 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 *investment product* 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:

(A) *Securities* that currently have a margin rate of 60% or less, are weighted at 1.000

(B) Listed *securities* with a margin rate greater than 60% are weighted as 0.333

(C) Nasdaq National Market® and Nasdaq SmallCap Market℠ *securities* with a margin rate of more than 60% are weighted as 0.333

(D) 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.

In CIRO Bulletin 25-0277, we propose to add the additional clause under note (8)(i) as follows in IDPC Form 1, which once approved, we will incorporate into the CIRO Form 1:

(d) Where the *Dealer Member* borrows fully paid *securities* from the client's cash account, the collateral provided to the client cannot be used to reduce any margin required on the account.

(ii) 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 *investment product* 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.

(iii) Confirmations and commitment letters

The margin requirements outlined in the previous paragraphs of note 8 do not apply if a customer has provided the *Investment Dealer 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 *Investment Dealer Member* and pay for the *investment products* to be delivered, and in such event settlement shall be considered provided for by the customer.

(iv) Trade date margining

For *Investment Dealer 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 *investment product* 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 8.

(9) 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 Form 1.

(10) **Line 3(c) -** The amount required to fully margin should be the aggregate of unsecured debits plus the margin required on any short *investment product* 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.

(11) **Line 4** – This line is to include balances for client accounts containing positions and offsets in futures contracts or futures contract options. These accounts should be margined in accordance with subsection 5790(1). Where a margin deficiency exists in a futures account of an *acceptable counterparty* or an *acceptable institution*, the margin deficiency should be reported on this line in accordance with subsection 5790(2).

Excess margin in a client account subject to a *futures segregation and portability customer protection regime* may not be used to reduce margin requirements in the client's account that is not subject to *futures segregation and portability customer protection regime* and vice versa.

(12) **Line 5 -** 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 an *Investment Dealer Member* and either an *acceptable counterparty* or any other counterparty (other than an *acceptable institution* (see note 3) or *regulated entity* (see Schedule 6)), the position shall be margined as follows, commencing on *regular settlement date*:

Calendar days after regular settlement [1]		
Counterparty	**30 days or less**	**Greater than 30 days**
Acceptable counterparty	Market value deficiency [2]	Margin
Other	Margin	200% of margin (to a maximum of the *market value* of the underlying *investment products*)

[1] Calendar days refers to the original term of the extended settlement transaction.

[2] Any transaction which has not been confirmed by an *acceptable counterparty* within 15 *business days* of the trade shall be margined.

(13) **Line 6** - In circumstances where a debit balance arises in an RRSP or similar registered account, the following margin requirements apply:

(i) where the debit balance is identifiable to a particular *investment product* transaction, the cash account rules as set out in note 8(i) may be applied to the transaction,

(ii) where the debit balance arises from items that are contemplated by the *CIRO requirements* and *securities laws* and are set out in the trust agreement between the *Investment Dealer Member* and the individual planholder, such as a payment of administrative fees, which empowers a trustee to liquate trust property, then the margin account rules may be applied,

(iii) where the debit balance arises from other items not considered above, the balance must be treated as unsecured and 100% margin provided.

(14) **Line 7** - Deduct the allowance for bad debts recorded in the accounts in order that the totals in Line 8 are shown "net".

(15) **Line 9(a)** – The name of the RRSP trustee(s) used by the *Investment Dealer Member* must be provided. The RRSP or similar balances held at a trustee must be insured by the Canada Deposit Insurance Corporation (CDIC) or Quebec Deposit Insurance Corporation (QDIC).

(16) **Line 9(b)** - Include margin reductions from offsets against IA reserves only to the extent there is a written agreement between the *Investment Dealer Member* and the IA permitting the *Investment Dealer Member* 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 *Investment Dealer Member* (PDO Guarantees). Include margin reductions arising from offsets against non-specific allowances of the *Investment Dealer Member*.

Form 1, Part II – Schedule 5

Dealer Member's name

Date

List of ten largest settlement 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]

	On approved acceptable institutions/acceptable counterparty list					
Name of institution	Yes/No	Acceptable institution	Acceptable counterparty	Debits C$000's	Credits C$000's	Margin C$000's
Total						

Notes and instructions:

(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 *CIRO*, please provide their latest audited financial statements.

Form 1, Part II – Schedule 6

Dealer Member's name

Date

Analysis of brokers' and dealers' trading balances

	Category	Balances: Debit C$000's	Balances: Credit C$000's	Amount required to fully margin C$000's
1.	Acceptable clearing corporations trading balances [see notes]			
2.	Regulated entities [see notes]			
3.	(a) Dealer Member's own affiliated/related partnerships or corporations duly approved and audited under the capital requirements of CIRO			
	(b) Dealer Member'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 counterparties [see note 8 - give details]			
5.	Mutual funds or their agents [see note 9]			
6.	Total	A-10	A-55	B-14

Form 1, Part II – Schedule 6
Notes and instructions

(1) This schedule is to include the *Dealer Member*'s trading balances with *regulated entities, acceptable clearing corporations,* other brokers and mutual funds for ordinary *security* trading transactions. All *security* borrowing or lending transactions should be disclosed on Schedules 1 or 8.

(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. Margin on balances with *regulated entities*, except futures accounts, 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 *Dealer 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.

Where a *Dealer Member* has futures accounts with *regulated entities* containing positions and offsets in futures contracts or futures contract options, those positions are to be margined in accordance with subsection 5790(1) and margin deficiencies are to be reported on this line in accordance with subsection 5790(2).

(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 the notes and instructions to Schedule 4 for *acceptable counterparties*.

If neither of the above, then margin must be provided in the manner outlined for other clients (clients other than *regulated entities*, *acceptable counterparties* and *acceptable institutions*) in the notes and instructions to Schedule 4.

(7) **Line 4(a) -** All balances must be margined in the same way as accounts of *acceptable counterparties* (see notes and instructions to Schedule 4). Balances, or portions thereof, arising from trading transactions such as futures contracts, 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 *CIRO* and the 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 notes and instructions to Schedule 4). Balances, or portions thereof, arising from trading transactions such as futures contracts, 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.

Form 1, Part II – Schedule 7

Dealer Member's name

Date

Current income taxes

				C$000's
Income tax liability (asset)				
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.		Income tax expense (recovery)	D-41	
6.		Less: Current installments		
7.		Other adjustments [give details if significant]		
8.		Total adjustment for current year's taxes		
9.	Total liability (asset) [add or subtract Line 8 from Line 4]			A-14, if asset A-58, if liability

Form 1, Part II – Schedule 7A

Dealer Member's name

Date

Tax recoveries

		Reference		C$000's
A.	**Tax recovery for risk adjusted capital**			
1.	Income tax expense (recovery) [must be greater than 0, else N/A]	Sch. 7, Line 5		
2.	Commission and/or fees receivable (non-allowable assets) of $_____ multiplied by an effective corporate tax rate of _____%	A-23		
3.	**Tax recovery - Assets** [100% of lesser of Lines 1 and 2]			
4.	Balance of current income tax expense 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.	Total margin required of $_____ multiplied by an effective corporate tax rate of _____%	B-26		
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-28
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.	Total securities concentration charge of $_____ multiplied by an effective corporate tax rate of _____%	Sch. 9/Sch. 10		
12.	Tax recovery – Securities concentration charge [75% of lesser of Lines 10 and 11]			B-30
13.	Total tax recovery risk adjusted capital [Line 3 plus Line 8 plus Line 12]			C-3
B.	**Tax recovery for early warning calculation:**			
1.	Income tax expense (recovery) [must be greater than 0, else N/A]	Sch. 7, Line 5		
2.	Commission and/or fees receivable (allowable assets)	A-16		
3.	Commission and/or fees receivable (non-allowable assets)	A-23		
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-9

Form 1, Part II – Schedule 7A
Notes and instructions

(1) **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 *Dealer Member* generated revenue against which a tax provision has been set up.

(2) **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.

(3) **Line A1 -** If the *Dealer Member* has no income tax expense due to being in a net tax recovery position, then no tax recovery on assets is allowed for *risk adjusted capital* purposes.

(4) **Line A3 -** If the *Dealer Member* has no income tax expense, then insert N/A on this line.

(5) **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 the *Dealer Member* has reported a balance on Line A1 above, then no balance should be reported as the current year tax recovery on this line.

(6) **Line B1 -** If the *Dealer Member* has no income tax expense due to being in a net tax recovery position, then no tax recovery on income accruals is allowed for early warning purposes.

Form 1, Part II – Schedule 8

Dealer Member's name

Date

Analysis of loans, securities loaned and repurchase agreements

		Amount of loan payable or cash received as collateral C$000's [see note 3]	Market value of securities received as collateral C$000's [see note 4]	Market value of securities delivered as collateral or loaned C$000's [see note 4]	Required to margin C$000's
	Loans payable:				
1.	Acceptable institutions		N/A		Nil
2.	Acceptable counterparties		N/A		
3.	Regulated entities		N/A		
4.	Others		N/A		
	Securities loaned:				
5.	Acceptable institutions				Nil
6.	Acceptable counterparties				
7.	Regulated entities				
8.	Others				
	Repurchase agreements:				
9.	Acceptable institutions		N/A		Nil
10.	Acceptable counterparties		N/A		
11.	Regulated entities		N/A		
12.	Others		N/A		
13.	Total [Sum of Lines 1 through 12]	A-52			B-15

Form 1, Part II – Schedule 8

Notes and instructions

(1) This schedule is to be completed for loan payable transactions, where the stated purpose of the transaction is to borrow cash. All *security* lending transactions and financing transactions done via 2 trade tickets, including *securities* repurchases and those with related parties, should also be disclosed on this schedule.

(2) For the purpose of this schedule, the following terms have the meanings set out below:

"cash loan payable"	A loan transaction where the purpose of the loan is for the *Dealer Member* to borrow cash and deliver *securities* as collateral to the counterparty.
"excess collateral deficiency"	(i) For a *cash loan payable*, any excess of the *market value* of the actual collateral delivered to the transaction counterparty over 102% the amount of the loan, or (ii) For a *securities loan arrangement*, any excess of the *market value* of the *securities* loaned over the *market value* of *securities* or the amount of cash received from the transaction counterparty as collateral.
"securities loan arrangement"	A loan transaction where the purpose of the loan is for the *Dealer Member* to lend *securities* and receive cash or *securities* as collateral from the counterparty.

(3) Include accrued interest in amount of loan payable.

(4) *Market value* of *securities* received or delivered as collateral should include accrued interest.

(5) **Written agreement requirements**

Any written agreement for a *cash loan payable*, *securities loan arrangement* or *securities* repurchase arrangement must:

(i) set out the rights of each party to retain and realize on *securities* delivered to it by the other party under the agreement if the other party defaults. These rights are in addition to other remedies in the agreement or available at law,

(ii) set out events of default,

(iii) provide for treatment of the *securities* or collateral value held by the non-defaulting party that is over the amount owed by the defaulting party, and

(iv) either:

(a) give the parties the right to set off their mutual debts, or

(b) enable the parties to effect a secured loan and provide that the lender must continuously segregate agreement collateral *securities*.

If the parties agree to a secured loan as provided in (iv)(b) above, and there is more than one method for the lender to perfect its *security* interest in the collateral, the lender must choose the method to achieve the highest priority in a default situation.

Whether the parties rely on set off or agree to a secured loan as provided in (iv)(b) above, the written agreement must provide for the *securities* loaned, or the *securities* sold under a repurchase arrangement, to be free and clear of any trading restrictions under *applicable laws*, and signed for transfer.

In CIRO Bulletin 25-0277, we propose to repeal and replace note 5 in IDPC Form 1 with the following, which, once approved, we will incorporate into the CIRO Form 1:

(5) **Written agreement requirements**

Any written agreement for a *cash loan payable*, *securities loan arrangement* or *securities* repurchase arrangement must:

(i) set out the rights of each party to retain and realize on the assets delivered to it by the other party under the agreement if the other party defaults. These rights are in addition to other remedies in the agreement or available at law,

(ii) set out events of default,

(iii) provide for treatment of the loaned or transferred asset value or collateral value held by the non-defaulting party that is over the amount owed by the defaulting party,

(iv) set out the right of either party to call, at any time by giving notice to the other party, for any shortfall in the difference between the collateral and the *securities*, and

(v) either:

(a) give the parties the right to set off their mutual debts, or

(b) enable the parties to effect a secured loan and provide that the lender must continuously segregate agreement collateral *securities*.

If the parties agree to a secured loan as provided in (v)(b) above, and there is more than one method for the lender to perfect its *security* interest in the collateral, the lender must choose the method to achieve the highest priority in a default situation.

Whether the parties rely on set off or agree to a secured loan as provided in (v)(b) above, the written agreement must provide for the *securities* loaned in the case of a *securities loan arrangement*, or the *securities* sold in the case of a repurchase arrangement, to be free and clear of any trading restrictions under *applicable laws*, and signed for transfer.

(6) **Cash loan payable**

(i) Margin requirements

The margin requirements for a *cash loan payable* are as follows:

(a) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms in note 5, the margin required shall be:

(I) Nil, where the counterparty to the transaction is an *acceptable institution* and the transaction has been confirmed with the *acceptable institution*, or

(II) 100% of the *market value* of the actual collateral provided to the transaction counterparty.

(b) Where a written agreement has been entered into that includes all of the required minimum terms in note 5, the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	**Margin required**
Acceptable institution	No margin[1]
Acceptable counterparty	*Excess collateral deficiency*[1]
Regulated entity	*Excess collateral deficiency*[1]
Other	Margin

[1] 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.

(7) **Securities loan arrangements**

(i) Additional written agreement requirements for certain agency securities loan arrangements where agent may be treated as equivalent to principal in which agent is also the third party custodian

Any written agreement for a *securities loan arrangement* between the *Dealer Member* and an agent (on behalf of an underlying principal borrower of *securities*) and who is also the custodian, may be reported and treated in the same manner for margin purposes as the equivalent principal *securities loan arrangement* between the *Dealer Member* and the third party custodian agent, if:

(a) the third party custodian agent meets the definition of "financial intermediary" in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act), and

(b) all of the following additional terms (i.e. over and above those set out in note 5) are stipulated in the written agreements:

(I) the loaned *securities* must be held by the third party custodian agent and there must be no right to re-hypothecate the loaned *securities*,

(II) the loan collateral (and any additional cash and *securities* provided for margin maintenance) must either be held by:

(A) the *Dealer Member* separately from the third party custodian agent and if the loan collateral is made up of *securities* the *Dealer Member* may re-hypothecate those *securities* provided it has the right, or

(B) the third party custodian agent in the account of the *Dealer Member* and if the loan collateral is made up of *securities* the *Dealer Member* may re-hypothecate those *securities* provided it has the right and those *securities* continue to be held by the third party custodian agent in the account or accounts of the new counterparty or counterparties, and

(III) in the event of the underlying principal borrower default, the loan collateral will be liquidated by the *Dealer Member* and proceeds used to purchase the loaned *securities*. If the loaned *securities* cannot be purchased in the market, their equivalent value is retained by the *Dealer Member*. Any excess value on the realization on the loan collateral will be returned by *Dealer Member* to the third party custodian agent.

(ii) Additional written agreement requirements for certain agency securities loan arrangements where agent may be treated as equivalent to principal in which agent and third party custodian are different entities

Any written agreement for a *securities loan arrangement* between the *Dealer Member* and an agent (on behalf of an underlying principal borrower of *securities*), which is accompanied by a written collateral management or custodial agreement between the *Dealer Member* and a third party custodian, may be reported and treated in the same manner for margin purposes as the equivalent principal *securities loan arrangement* between the *Dealer Member* and the agent, if:

(a) the third party custodian and agent meet the definition of "financial intermediary" in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act), and

(b) all of the following additional terms (i.e. over and above those set out in note 5) are stipulated in the written agreements:

(I) the loaned *securities* must be held by the agent and there must be no right for the agent to re-hypothecate the loaned *securities*,

(II) the loan collateral (and any additional cash and *securities* provided for margin maintenance) must either be held by:

(A) the *Dealer Member* separately from the third party custodian and if the loan collateral is made up of *securities* the *Dealer Member* may re-hypothecate those *securities* provided it has the right, or

(B) the third party custodian in the account of the *Dealer Member* and if the loan collateral is made up of securities the *Dealer Member* may re-hypothecate those *securities* provided it has the right and those *securities* continue to be held by the third party custodian in the account or accounts of the new counterparty or counterparties, and

(III) in the event of the underlying principal borrower default, control over the loan collateral that has been posted with the third party custodian will be given by the third party custodian to the *Dealer Member* and the loan collateral will be liquidated by the *Dealer Member* and the resulting proceeds used to purchase the loaned *securities* by the *Dealer Member*. If the loaned *securities* cannot be purchased in the market, their equivalent value is retained by the *Dealer Member*. Any excess value on the realization on the loan collateral will be returned by the *Dealer Member* to the agent.

(iii) Agency securities loan arrangements where agent must not be treated as equivalent to principal

The *Dealer Member* must look through the agent in the agency *securities loan arrangement* to the underlying principal borrower and the agency arrangement must be reported and treated in the same manner for margin purposes as the equivalent principal *securities* lending arrangement between the *Dealer Member* and the underlying principal borrower:

(a) where an agent is also the third party custodian and the requirements in 7(i) are not all met, or

(b) where an agent and third party custodian are different entities and the requirements in 7(ii) are not all met.

(iv) Margin requirements for securities loan arrangements

The margin requirements for a *securities loan arrangement* are as follows:

(a) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms in note 5, the margin required shall be:

(I) nil, where the counterparty to the transaction is an *acceptable institution* and the transaction has been confirmed with the *acceptable institution*, or

(II) 100% of the *market value* of the *securities* loaned to the transaction counterparty.

(b) Where a written agreement has been entered into that includes all of the required minimum terms in note 5, for margin purposes:

(I) for principal *securities loan arrangements*, the counterparty is the principal in the *securities loan arrangement*,

(II) for agency *securities loan arrangements*, where an agent is involved and all of the requirements in the applicable note 7(i) or (ii) are met, the counterparty is the agent,

(III) for agency *securities loan arrangements*, where an agent is involved and all of the requirements in the applicable note 7(i) or (ii) are not met, the counterparty is the underlying principal borrower,

the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	Margin required
Acceptable institution	No margin[1]
Acceptable counterparty	*Excess collateral deficiency*[1]
Regulated entity	*Excess collateral deficiency*[1]
Other	Margin

[1] 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.

(8) **Securities repurchase arrangements**

(i) Written agreement requirements

If a *Dealer Member* has a written agreement for a *securities* repurchase arrangement, in addition to the terms in note 5, the agreement must include the parties acknowledgement that either party has the right on notice, to call for any shortfall in the difference between the collateral and *securities* at any time.

(ii) Additional written agreement requirements for certain agency securities repurchase arrangements where agent may be treated as equivalent to principal in which agent is also the third party custodian

Any written agreement for a *securities* repurchase arrangement between the *Dealer Member* and an agent (on behalf of an underlying principal buyer) and who is also the custodian, may be reported and treated in the same manner for margin purposes as the equivalent principal *securities* repurchase arrangement between the *Dealer Member* and the third party custodian agent, if:

(a) the third party custodian agent meets the definition of "financial intermediary" in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act), and

(b) all of the following additional terms (i.e. over and above those set out in notes 5 and 8(i)) are stipulated in the written agreement:

(I) the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) must be held by the third party custodian agent and there must be no right to re-hypothecate those *securities*, and

(II) in the event of the *Dealer Member* (i.e. the underlying principal seller) default, the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) that has been posted with the third party custodian agent will be liquidated by the third party custodian agent and proceeds used to satisfy the *Dealer Member*'s obligations. Any excess value on the realization on the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) will be returned by the third party custodian agent to the *Dealer Member*.

(iii) Additional written agreement requirements for certain agency repurchase agreements where agent may be treated as equivalent to principal in which an agent and third party custodian are different entities

Any written agreement for a *securities* repurchase arrangement between a *Dealer Member* and an agent (on behalf of an underlying principal buyer), which is accompanied by a written collateral management or custodial agreement between the *Dealer Member* and a third party custodian, may be reported and treated in the same manner for margin purposes as the equivalent principal *securities* repurchase arrangement between the *Dealer Member* and the agent, if:

(a) the third party custodian and agent meet the definition of "financial intermediary" in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act), and

(b) all of the following additional terms (i.e. over and above those set out in notes 5 and 8(i)) are stipulated in the written agreements:

(I) the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) must be held by the third party custodian and there must be no right for the agent to re-hypothecate those *securities*, and

(II) in the event of the *Dealer Member* (i.e. the underlying principal seller) default, control over the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) that has been posted with the third party custodian will be given by the third party custodian to the agent and the purchased *securities* will be liquidated and the resulting proceeds used to satisfy the *Dealer Member*'s obligations. Any excess value on the realization on the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) will be returned by the agent to the *Dealer Member*.

(iv) Agency securities repurchase arrangement where agent must not be treated as equivalent to principal

The *Dealer Member* must look through the agent in the agency *securities* repurchase arrangement to the underlying principal buyer and the agency arrangement must be reported and treated in the same manner for margin purposes as the equivalent principal *securities* repurchase arrangement between the *Dealer Member* and the underlying principal buyer:

(a) where an agent is also the third party custodian and the requirements in (ii) are not all met, or

(b) where an agent and third party custodian are different entities and the requirements in (iii) are not all met.

(v) Margin requirements for securities repurchase arrangements

The margin requirements for a *securities* repurchase arrangement are as follows:

(a) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms in notes 5 and 8(i), the margin required to be provided shall be determined according to the following table:

	Margin required based on term of transaction	
Transaction counterparty type	**30 calendar days or less after regular settlement**[1]	**Greater than calendar 30 days after regular settlement**[1]
Acceptable institution	No margin[2]	
Acceptable counterparty	*Market value* deficiency[2]	Margin
Regulated entity	*Market value* deficiency[2]	Margin
Other	Margin	200% of margin (to a maximum of

	Margin required based on term of transaction	
		the *market value* of the underlying *securities*)

[1] Regular settlement means the settlement date 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 refer to the original term of the repurchase transaction.

[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.

(b) Where a written agreement has been entered into that includes all of the required minimum terms in notes 5 and 8(i), for margin purposes:

(I) for principal *securities* repurchase arrangements, the counterparty is the principal in the *securities* repurchase arrangement,

(II) for agency *securities* repurchase arrangements, where an agent is involved and all of the requirements in the applicable note 8(ii) or (iii) are met, the counterparty is the agent,

(III) for agency *securities* repurchase arrangements, where an agent is involved and all of the requirements in the applicable note 8(ii) or (iii) are not met, the counterparty is the underlying principal buyer,

the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	**Margin required**
Acceptable institution	No margin[1]
Acceptable counterparty	*Market value* deficiency[1]
Regulated entity	*Market value* deficiency[1]
Other	Margin

[1] 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.

In CIRO Bulletin 25-0277, we propose to repeal and replace note 8 in IDPC Form 1 with the following, which, once approved, we will incorporate into the CIRO Form 1:

(8) **Securities repurchase arrangements**

(i) Additional written agreement requirements for certain agency securities repurchase arrangements where agent may be treated as equivalent to principal in which agent is also the third party custodian

Any written agreement for a *securities* repurchase arrangement between the *Dealer Member* and an agent (on behalf of an underlying principal buyer) and who is also the custodian, may be reported and treated in the same manner for margin purposes as the equivalent principal *securities* repurchase arrangement between the *Dealer Member* and the third party custodian agent, if:

(a) the third party custodian agent meets the definition of "financial intermediary" in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act), and

(b) all of the following additional terms (i.e. over and above those set out in note 5) are stipulated in the written agreement:

(I) the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) must be held by the third party custodian agent and there must be no right to re-hypothecate those *securities*, and

(II) in the event of the *Dealer Member* (i.e. the underlying principal seller) default, the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) that has been posted with the third party custodian agent will be liquidated by the third party custodian agent and proceeds used to

satisfy the *Dealer Member*'s obligations. Any excess value on the realization on the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) will be returned by the third party custodian agent to the *Dealer Member*.

(ii) Additional written agreement requirements for certain agency repurchase agreements where agent may be treated as equivalent to principal in which an agent and third party custodian are different entities

Any written agreement for a *securities* repurchase arrangement between a *Dealer Member* and an agent (on behalf of an underlying principal buyer), which is accompanied by a written collateral management or custodial agreement between the *Dealer Member* and a third party custodian, may be reported and treated in the same manner for margin purposes as the equivalent principal *securities* repurchase arrangement between the *Dealer Member* and the agent, if:

(a) the third party custodian and agent meet the definition of "financial intermediary" in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act), and

(b) all of the following additional terms (i.e. over and above those set out in note 5) are stipulated in the written agreements:

(I) the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) must be held by the third party custodian and there must be no right for the agent to re-hypothecate those *securities*, and

(II) in the event of the *Dealer Member* (i.e. the underlying principal seller) default, control over the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) that has been posted with the third party custodian will be given by the third party custodian to the agent and the purchased *securities* will be liquidated and the resulting proceeds used to satisfy the *Dealer Member*'s obligations. Any excess value on the realization on the purchased *securities* (and any additional cash and *securities* provided for margin maintenance) will be returned by the agent to the *Dealer Member*.

(iii) Agency securities repurchase arrangement where agent must not be treated as equivalent to principal

The *Dealer Member* must look through the agent in the agency *securities* repurchase arrangement to the underlying principal buyer and the agency arrangement must be reported and treated in the same manner for margin purposes as the equivalent principal *securities* repurchase arrangement between the *Dealer Member* and the underlying principal buyer:

(a) where an agent is also the third party custodian and the requirements in note 8(i) are not all met, or

(b) where an agent and third party custodian are different entities and the requirements in note 8(ii) are not all met.

(iv) Margin requirements for securities repurchase arrangements

The margin requirements for a *securities* repurchase arrangement are as follows:

(a) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms in note 5, the margin required to be provided shall be determined according to the following table:

	Margin required based on term of transaction	
Transaction counterparty type	**30 calendar days or less after regular settlement**[1]	**Greater than calendar 30 days after regular settlement**[1]
Acceptable institution	No margin[2]	
Acceptable counterparty	*Market value* deficiency[2]	Margin
Regulated entity	*Market value* deficiency[2]	Margin
Other	Margin	200% of margin (to a maximum of the *market value* of the underlying *securities*)

[1] Regular settlement means the settlement date 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 refer to the original term of the repurchase transaction.

[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.

(b) Where a written agreement has been entered into that includes all of the required minimum terms in note 5, for margin purposes:

(I) for principal *securities* repurchase arrangements, the counterparty is the principal in the *securities* repurchase arrangement,

(II) for agency *securities* repurchase arrangements, where an agent is involved and all of the requirements in the applicable note 8(i) or (ii) are met, the counterparty is the agent,

(III) for agency *securities* repurchase arrangements, where an agent is involved and all of the requirements in the applicable note 8(i) or (ii) are not met, the counterparty is the underlying principal buyer,

the margin required to be provided shall be determined according to the following table:

Transaction counterparty type	Margin required
Acceptable institution	No margin[1]
Acceptable counterparty	*Market value* deficiency[1]
Regulated entity	*Market value* deficiency[1]
Other	Margin

[1] 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.

(9) 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 for margin calculation purposes.

(10) 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 of Form 1, but the *Dealer 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*.

(11) **Lines 2, 3, 6 and 7 –** In the case of a *cash loan payable* or a *securities loan arrangement* between a *Dealer Member* and either an *acceptable counterparty* or a *regulated entity*, 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 *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day* it must be provided out of the *Dealer Member's* capital.

(12) **Lines 10 and 11 –** In the case of a repurchase transaction between a *Dealer Member* and either an *acceptable counterparty* or a *regulated entity*, where a deficiency exists between the *market value* of the *securities* repurchased and the *market value* of the cash received, 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 *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day*, it must be provided out of the *Dealer Member's* capital.

(13) **Lines 4, 8 and 12 –** In the case of a *cash loan payable* or a *securities* loan or a repurchase arrangement / transaction between a *Dealer Member* and a party other than an *acceptable institution*, *acceptable counterparty* or *regulated entity*, where a deficiency exists between the loan value of the cash received or *securities* lent 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 *Dealer Member'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 *Dealer Member* on a fully segregated basis or held in escrow on its behalf by a *securities* depository or clearing agency qualifying

as an *acceptable securities location* 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 *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day*, it must be provided out of the *Dealer Member's* capital.

In CIRO Bulletin 25-0277, we propose to repeal and replace note 13 in IDPC Form 1 with the following, which, once approved, we will incorporate into the CIRO Form 1:

(13) **Lines 4, 8 and 12 -** In the case of a *cash loan payable* or a *securities* loan or a repurchase arrangement / transaction between a *Dealer Member* and a party other than an *acceptable institution*, *acceptable counterparty* or *regulated entity*, where a deficiency exists between the loan value of the cash received or *securities* lent 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 *Dealer Member's* capital. The margin required may be reduced by any margin already provided on the collateral (e.g. in inventory). Where the collateral is cash or *securities* with a margin rate of 5% or less and the collateral is either held by the *Dealer Member* on a fully segregated basis or held in escrow on its behalf by a *securities* depository or clearing agency qualifying as an *acceptable securities location* 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 *Dealer Member's* capital. In any case, where the deficiency exists for more than one *business day*, it must be provided out of the *Dealer Member's* capital.

(14) **Lines 1, 2 and 3 -** In a *cash loan payable* transaction between a *Dealer Member* 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 loan, there shall be no charge to the *Dealer Member's* capital for any excess of the value of the letter of credit pledged as collateral over the cash borrowed.

(15) **Lines 4, 8, and 12 -** Arrangements other than those regarding agency agreements where an agent may be treated as equivalent to principal in notes 7(i) and (ii) and 8(ii) and (iii) where an *acceptable institution*, *acceptable counterparty*, or *regulated entity* is only acting as an agent (on behalf of an "other" party) should be reported and margined as "Others".

In CIRO Bulletin 25-0277, we propose to repeal and replace note 15 in IDPC Form 1 with the following, which, once approved, we will incorporate into the CIRO Form 1:

(15) **Lines 4, 8, and 12 -** Arrangements other than those regarding agency agreements where an agent may be treated as equivalent to principal in notes 7(i) and (ii) and 8(i) and (ii) where an *acceptable institution*, *acceptable counterparty*, or *regulated entity* is only acting as an agent (on behalf of an "other" party) should be reported and margined as "Others".

Form 1, Part II – Schedule 8A

Dealer Member's name

Date

Cash and securities borrowing and lending arrangements concentration charge

		Reference	C$000's
1.	Market value deficiency amount relating to loans receivable from acceptable counterparties, net of legal offsets and margin already provided	Sch. 1, Line 2	
2.	Market value deficiency amount relating to loans receivable from regulated entities, net of legal offsets and margin already provided	Sch. 1, Line 3	
3.	Market value deficiency amount relating to securities borrowed from acceptable counterparties, net of legal offsets and margin already provided	Sch. 1, Line 6	
4.	Market value deficiency amount relating to securities borrowed from regulated entities, net of legal offsets and margin already provided	Sch. 1, Line 7	
5.	Market value deficiency amount relating to loans payable to acceptable counterparties, net of legal offsets and margin already provided	Sch. 8, Line 2	
6.	Market value deficiency amount relating to loans payable to regulated entities, net of legal offsets and margin already provided	Sch. 8, Line 3	
7.	Market value deficiency amount relating to securities lent to acceptable counterparties, net of legal offsets and margin already provided	Sch. 8, Line 6	
8.	Market value deficiency amount relating to securities lent to regulated entities, net of legal offsets and margin already provided	Sch. 8, Line 7	
9.	Total market value deficiency exposure with acceptable counterparties and regulated entities, net of legal offsets and margin already provided [Sum of Lines 1 to 8]		
10.	Concentration threshold – 100% of net allowable assets		
11.	Concentration Charge [Excess of Line 9 over Line 10, otherwise nil]		B-23

Mutual Fund Dealer Member's name

Date

Concentration of securities – Mutual Fund Dealer Members
Summary sheet

[Mutual Fund Dealer Member's own position (see Sch 9, note 2]

1	2	3	4	5	6	7
Description of issuer or precious metal positions	Final adjusted amount loaned C$000's [Sch. 9, note 5 and Sch. 9B notes 5, 6, 7 and 8]	Concentration test identifier [Sch. 9A or Sch. 9B]	Long / Short ("L" or "S")	Concentration threshold	Schedule 9B, no# of DROs used, if any [Sch. 9B, note 6]	Concentration charge C$000's [Sch. 9, note 8]

Form 1, Part II – Schedule 9
Notes and instructions

Introduction

(1) The purpose of this schedule is to measure and provide appropriate provisions for *securities* concentration risk. Schedule 9 applies to all *securities* and precious metals position concentration exposures, except those explicitly excluded in the notes and instructions of Schedules 9A and 9B. Concentration exposures are tested according to either a General Security Test methodology (Schedule 9A) or a Debt Security Test methodology (Schedule 9B). The Schedule 9 summary sheet must include the largest ten issuer positions and precious metals positions reported on Schedules 9A and 9B, whether or not a concentration charge applies. If there are more than ten positions where a concentration exposure exists, then all such positions must be listed.

Schedule 9 applies only to inventory positions for *Mutual Fund Dealer Members* that do not offer margin lending or extensions of credit to client accounts. If a *Mutual Fund Dealer Member* chooses to offer margin to its clients under subsection 5112(2) or apply the equity deficiency calculation to client accounts under Schedule 3 note 5(i), the *Mutual Fund Dealer Member* must report their concentration exposures on Schedule 10 in accordance with the same requirements as *Investment Dealer Members*.

The notes and instructions to Schedule 9 provide *securities* concentration calculation requirements, concentration thresholds, concentration charges, and other requirements that are applicable to both tests. Certain prescribed differences between the test methodologies are noted below, such as the calculation of the short position exposures and the maximum concentration charges, described in notes 3, 5(ii), and 10.

The notes and instructions to Schedules 9A and 9B provide more detail on the positions included for testing under each test. The notes and instructions to Schedule 9B detail adjustments applicable to the Debt Security Test.

Calculation requirements applicable to both tests, notes 2-11

(2) The *securities* and precious metals positions included for exposure testing are those where an inventory position is being held.

(3) For short positions reported on Schedule 9A, the loan value is the *market value* of the short position. For short positions reported on Schedule 9B, the loan value is the same as calculated for long positions.

Dealer Member's own position

(4) *Mutual Fund Dealer Member's* own inventory positions are to be reported on a trade date basis. All *security* positions that qualify for a margin offset may be eliminated.

Amount loaned

(5) The *Mutual Fund Dealer Member's* own position reported is to be determined based on the long or short position that results in the largest amount loaned exposure.

(i) To determine the amount loaned on the long position exposure, calculate:

- the loan value (calculated pursuant to the notes and instructions to Schedule 2) of the net long *Mutual Fund Dealer Member's* own position (if any).

(ii) To determine the amount loaned on the short position exposure reported on Schedule 9A, calculate:

- the *market value* of the net short *Mutual Fund Dealer Member's* own position (if any).

Calculate the amount loaned on the short position exposure reported on Schedule 9B according to the same methodology described in note 5(i).

(iii) Amount Loaned is the position exposure (either long or short) with the largest calculated amount loaned.

Concentration thresholds

(6) The following concentration thresholds apply:

Amount loaned issuer classification	Issuer classification or special application criteria	Amount loaned concentration threshold
(i) Related or "non-arm's length" *securities*	*Securities* issued by: (a) the *Mutual Fund Dealer Member*, or (b) a company meeting all of the following thresholds: · *Mutual Fund Dealer Member* accounts are included in the consolidated financial statements · the assets and revenue of the *Mutual Fund Dealer 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 *Mutual Fund Dealer Member* for the preceding fiscal year.	One-third of the sum of the *Mutual Fund Dealer Member's risk adjusted capital* before *securities* concentration charge and minimum capital (Statement B, Line 8), as most recently calculated.
(ii) Non-related or arm's length marginable *securities*	*Securities*, or a precious metal position, other than those described in note 6(i) above.	Two-thirds of the sum of the *Mutual Fund Dealer Member's risk adjusted capital* before *securities* concentration charge and minimum capital (Statement B, Line 8), as most recently calculated.
(iii) Additional exposures	The following scenarios result in a reduced concentration threshold for any other issuer or other property position: (a) Multiple violations: If the *Mutual Fund Dealer Member* has already incurred a concentration charge for an issuer position or precious metal position under notes 6(i), or 6(ii); or, (b) Material exposures: If the *Mutual Fund Dealer Member* has already measured a concentration exposure on any one non-related issuer or a precious metal position in excess of one-half of the sum of *risk adjusted capital* before *securities* concentration charge and minimum capital (Statement B, Line 8), as most recently calculated.	One-half of the sum of the *Mutual Fund Dealer Member's risk adjusted capital* before *securities* concentration charge and minimum capital (Statement B, Line 8), as most recently calculated. Any additional exposures for issuer positions classified under 6(i) are measured at one-third of the sum of the *Mutual Fund Dealer Member's risk adjusted capital* before *securities* concentration charge and minimum capital (Statement B, Line 8), as most recently calculated.

(7) The additional exposures threshold reductions detailed in note 6(iii) apply to all issuer positions tested under Schedule 9, including positions from the same issuer whose concentration exposures are calculated separately under Schedules 9A and 9B.

Concentration charge

(8) An amount equal to 150% of the excess of the final adjusted amount loaned over the concentration thresholds indicated in note 6 is required unless the excess is cleared within five *business days* of the date it first occurs.

(9) For the purpose of calculating the concentration charges as required by notes 6(i), 6(ii), 6(iii), and 8 above, such calculations must be performed for the largest three issuer positions and precious metal positions originating from Schedule 9A and the largest three issuer positions originating from Schedule 9B, ranked by Final adjusted amount loaned in which there is a concentration exposure. Concentration exposures in issuer positions exceeding the thresholds described in notes 6(i) are ranked first on Schedule 9.

(10) For Schedule 9A positions, the concentration charge relating to long positions is limited to the loan value of the issuer *security(ies)* or precious metal position for which the charge is incurred. For Schedule 9B positions, the concentration charge is limited to the risk-weighted loan value of the issuer *security(ies)* as calculated for long positions, which is also applicable for short positions.

Other

(11) (i) Where there is an over exposure in a *security* or precious metal position and the concentration charge as referred to above would produce either a capital deficiency or an early warning violation, the *Mutual Fund Dealer Member* must report the over exposure situation to *CIRO* on the date the over exposure first occurs.

(ii) A measure of discretion is left with *CIRO* in dealing with the resolution of concentration situations, particularly as regards to time requirements for correcting any over exposure, as well as whether *securities* or precious metal positions are carried in "readily saleable quantities".

Form 1, Part II – Schedule 9A

Mutual Fund Dealer Member's name

Date

Concentration of securities – Mutual Fund Dealer Members
General Security Test

[Mutual Fund Dealer Member's own position, excluding debt securities with a margin rate of 10% or less (see Sch. 9, note 2 and Sch. 9A, note 3)]

1	2	3	4	5	6	7	8	9
Description of security [Sch. 9A, note 2]	Dealer Member's own long/(short) C$000's [Sch. 9, note 4]	Unit Price	Market value C$000's	Effective margin rate	"Amount loaned" C$000's [Sch. 9, note 5]	Amount cleared within five business days C$000's	Final adjusted amount loaned C$000's	General Security Test - exposure greater than 1/2 RAC, or 1/3 RAC (Yes/ or No) [Sch. 9, notes 1 and 6]

Form 1, Part II – Schedule 9A
Notes and instructions

General Security Test

(1) *Mutual Fund Dealer Members* must disclose the largest ten issuer positions and precious metal positions subject to the General Security Test, whether or not a concentration charge applies. If there are more than ten issuer positions and precious metal positions where a concentration exposure exists, then all such positions must be listed.

(2) An issuer position must include all classes of *securities* for an issuer (i.e. all long and short positions in equity, convertibles, debt, structured products or other *securities* of an issuer other than the exclusions cited in note 4). Precious metal positions are also tested using the General Security Test methodology and must include all certificates and bullion of the particular precious metal (gold, platinum or silver).

(3) Each individual mutual fund or Exchange Traded Fund (ETF) may be reported as a separate issuer amount loaned exposure unless there is a legal or risk basis for consolidating separate funds from a single fund manager. This may be the case where it is determined that there is a shared credit risk to the fund manager, or other counterparty. Related series or classes of the same fund should be consolidated.

(4) Exclude all:

(i) *debt securities* and debt obligations and other evidences of indebtedness with a normal margin requirement of 10% or less,

(ii) stripped coupons and residuals if they are held on a book based system and are in respect of federal and provincial debt instruments,

(iii) mutual funds and ETFs that meet the definition of “money market fund” as defined in National Instrument 81-102,

(iv) high interest savings account funds (HISA) covered by the Canada Deposit Insurance Corporation (CDIC), and

(v) mutual funds and ETFs that meet the definition of a *diversified investment product*.

Mutual Fund Dealer Member's name

Date

Concentration of securities – Mutual Fund Dealer Members
Debt Security Test

[Mutual Fund Dealer Member's own position, excluding positions reported on Schedule 9A (see Sch.9, note 2)]

1	2	3	4	5	6	7	8	9	10	11
Description of security [Sch. 9B, note 2]	Dealer Member's own long/(short) C$000's [Sch. 9, note 4]	Unit Price	Market value C$000's	Effective margin rate	"Amount loaned" C$000's [Sch. 9, note 5]	Risk-weighting adjustment factor % [Sch. 9B, notes 5, 6, 7 and 8]	Risk-weighted "amount loaned"(Column 6 x Column 7) C$000's [Sch. 9B, notes 5, 6, 7 and 8]	Amount cleared within five business days C$000's	Final adjusted amount loaned C$000's	Debt Security Test – exposure greater than 1/2 RAC, or 1/3 RAC (Yes or No) [Sch. 9, notes 1 and 6]

Form 1, Part II – Schedule 9B
Notes and instructions

Debt Security Test

(1) *Mutual Fund Dealer Members* must disclose the largest ten issuer positions subject to the Debt Security Test, whether or not a concentration charge applies. If there are more than ten issuer positions where a concentration exposure exists, then all such positions must be listed.

(2) The Debt Security Test methodology applies to *debt securities* with a normal margin requirement of 10% or less, whose concentration exposures are calculated separately from the other *securities* of an issuer included for testing under the General Security Test. An issuer position must include all debt issuance classes or series of *securities* for an issuer (i.e. all long and short positions in *debt securities* with a normal margin requirement of 10% or less, other than *debt securities* cited in note 3).

(3) Exclude non-commercial *debt securities* with a normal margin requirement of 10% or less and debt obligations and evidences of indebtedness with an original maturity of 1 year or less, as categorized below, that meet the following minimum *designated rating organization* current credit rating requirements and qualifications:

Exclusions from Schedule 9B			
Category		**Minimum designated rating organization current credit rating**	**Qualification(s)**
1.	Non-commercial *debt securities* with a normal margin rate of less than 10%, issued or guaranteed by the following: · national governments of Canada, United Kingdom, and United States · Canadian provincial governments · the International Bank for Reconstruction and Development · Canadian and United Kingdom municipal corporations	Not applicable	Not applicable (N/A)
2.	Other non-commercial *debt securities* with a normal margin rate of 10% or less	A	
3.	Debt obligations and other evidences of indebtedness with an original maturity of 1 year or less, issued or guaranteed by the following: · A Canadian financial institution qualifying as an *acceptable institution* · A foreign financial institution qualifying as an *acceptable institution*	R-1(low), F1, P-1, A-1(low)	Structured finance products as defined in National Instrument 25-101 are not eligible for exclusion

Additional netting allowance for Mutual Fund Dealer Member's own position

(4) *Security* positions that qualify for a margin offset may be excluded, as detailed in Schedule 9, note 4. The remaining net long (short) *Mutual Fund Dealer Member's* own inventory position may be calculated on a net basis. The offsetting of positions is allowed if:

(i) the positions are of the same seniority, or

(ii) the short position is junior in the statutory creditor hierarchy, or contractually subordinated, to the long position.

Additional amount loaned adjustments available for the Debt Security Test

(5) If the loan value of an issuer position does not exceed one-half (one-third in the case of an issuer position which qualifies under Schedule 9, note 6(i)) of the sum of the *Mutual Fund Dealer Member's risk adjusted capital* before *securities* concentration charge and minimum capital (Statement B, Line 8) as most recently calculated, the additional amount

loaned adjustments and completion of the columns titled "Risk-weighting adjustment factor %" (Schedule 9B, Column 7), and "Risk-weighted amount loaned" (Schedule 9B, Column 8) is optional.

(6) The amount loaned may be reduced by applying a risk-weighting adjustment factor if the *debt security(ies)* meets the minimum current credit requirement from at least one *designated rating organization* as indicated in the following table:

Risk-weighting adjustments for debt securities margined at 10% or less			
	Minimum designated rating organization rating	**Adjustment factor**	**Multiple designated rating organization current credit ratings**
Long term rating:			If only one current credit rating, that rating applies. If two current credit ratings, the lower rating applies. If more than two current credit ratings, refer to the highest two ratings and apply the lower rating.
1.	AAA	40%	
2.	AA to A	50%	
3.	BBB	60%	
4.	Below BBB or not rated	80%	
Short term rating:			
5.	Above R-2, F3, P-3, A-3	40%	
6.	R-2, F3, P-3, A-3	60%	
7.	Below R-2, F3, P-3, A-3 or not rated	80%	

(7) In order to qualify for a risk-weighting adjustment factor, the following additional eligibility standards apply:

(i) commercial *debt securities* must be ranked senior to any outstanding *equity securities* from the same issuer in the statutory creditor hierarchy, or contractually

(ii) structured finance products as defined in National Instrument 25-101 are risk-weighted at 80%.

2-step methodology for determining risk-weighting adjustment factor

(8) Step 1: Calculate the issuer's risk-weighted amount loaned using the highest determined adjustment factor (i.e. lowest applicable DRO rating or not rated in note 6) for all debt issue exposures held for that issuer. If the risk-weighted amount loaned calculated in Step 1 does not exceed any of the concentration thresholds detailed in Schedule 9, notes 6(i), 6(ii), 6(iii), there is no need to make any additional risk-weighting calculations.

Step 2: Option to use a weighted average adjustment factor to calculate the risk-weighted amount loaned:

1. calculate the weights for each applicable adjustment factor within the aggregate amount loaned exposure (Schedule 9B, Column 6) for the issuer.
2. multiply each adjustment factor by its weight in the aggregate amount loaned exposure.
3. add the weighted adjustment factors together to determine the weighted average adjustment factor.

Investment Dealer Member's name

Date

Concentration of securities – Investment Dealer Members
Summary sheet

[excluding securities required to be in segregation or safekeeping (see Sch. 10, note 3)]

1	2	3	4	5	6	7
Description of issuer or precious metal positions	Final adjusted amount loaned C$000's [Sch. 10, note 7 and Sch. 10B notes 5, 6 and 7]	Concentration test identifier [Sch. 10A or Sch. 10B]	Long / Short ("L" or "S")	Concentration threshold	Schedule 10B, no# of DROs used, if any [Sch. 10B, note 5]	Concentration charge C$000's [Sch. 10, note 10]

Form 1, Part II – Schedule 10
Notes and instructions

Introduction

(1) The purpose of this schedule is to measure and provide appropriate provisions for *securities* concentration risk. Schedule 10 applies to all *securities* and precious metals position concentration exposures, except those explicitly excluded in the notes and instructions of Schedules 10A and 10B. Concentration exposures are tested according to either a General Security Test methodology (Schedule 10A) or a Debt Security Test methodology (Schedule 10B). The Schedule 10 summary sheet must include the largest ten issuer positions and precious metals positions reported on Schedules 10A and 10B, whether or not a concentration charge applies. If there are more than ten issuer positions where a concentration exposure exists, then all such positions must be listed.

Investment Dealer Members must report their concentration exposures on this schedule. If a *Mutual Fund Dealer Member* chooses to offer margin to its clients under subsection 5112(2) or apply the equity deficiency calculation to client accounts under Schedule 3 note 5(i), the *Mutual Fund Dealer Member* must report their concentration exposures on this schedule in accordance with the same requirements as *Investment Dealer Members*.

The notes and instructions to Schedule 10 provide *securities* concentration calculation requirements, concentration thresholds, concentration charges, and other requirements that are applicable to both tests. Certain prescribed differences between the test methodologies are noted below, such as the calculation of the short position exposures and the maximum concentration charges, described in notes 4, 7(ii), and 12.

The notes and instructions to Schedules 10A and 10B provide more detail on the positions included for testing under each test. The notes and instructions to Schedule 10B detail additional adjustments applicable to the Debt Security Test.

Calculation requirements applicable to both tests, notes 2-13

(2) The *securities* and precious metals positions included for exposure testing are those where:

(i) loan value is being extended in a margin account, cash account, delivery against payment account, receipt against payment account, or

(ii) an inventory position is being held.

(3) *Securities* and precious metals that are required to be in *segregation* or *safekeeping* should not be included in the issuer position or precious metal position. *Securities* and precious metals that have been segregated, but are not required to be, can still be relied on by the *Investment Dealer Member* for loan value, and must be included in the issuer position and precious metal position.

(4) For short positions reported on Schedule 10A, the loan value is the *market value* of the short position. For short positions reported on Schedule 10B, the loan value is the same as calculated for long positions.

Client position

(5) (i) 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 and precious metal positions that qualify for a margin offset may be eliminated.

(ii) 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.

Dealer Member's own position

(6) (i) *Investment Dealer Member'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.

(ii) The amount reported must include uncovered stock positions in market-maker accounts.

Amount loaned

(7) The client and *Investment Dealer Member's* own positions reported are to be determined based on the combined client/*Investment Dealer Member's* own long or short position that results in the largest amount loaned exposure.

(i) 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 8(i)(a)) and/or loan value (calculated pursuant to the loan value calculation set out in Schedule 4, note 8(i)(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 8(ii)(a)) and/or loan value (calculated pursuant to the loan value calculation set out in Schedule 4

, note 8(ii)(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 *Investment Dealer Member's* own position (if any).

(ii) To calculate the combined amount loaned on the short position exposure reported on Schedule 10A, 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 *Investment Dealer Member's* own position (if any).

Calculate the combined amount loaned on the short position exposure reported on Schedule 10B according to the same methodology described in note 7(i).

(iii) If the loan value of an issuer position or a precious metal position (net of issuer *securities* or precious metal position required to be in *segregation*/*safekeeping*) does not exceed one-half (one-third in the case of an issuer position or precious metal position which qualifies under either note 8(i) or 8(ii) below) of the sum of the *Investment Dealer Member's risk adjusted capital* before *securities* concentration charge and minimum capital (Statement B, Line 8) as most recently calculated, the completion of the columns titled "Adjustments in arriving at Amount Loaned" (on Schedules 10A and 10B), "Risk-weighting adjustment factor %" (Schedule 10B), and "Risk-weighted amount loaned" (Schedule 10B) is optional. However, nil should be reflected for the concentration charge.

(iv) In determining the amount loaned on either a long, or short position exposure, the following adjustments may be made:

(a) *Security* positions and precious metal positions that qualify for a margin offset may be excluded, as previously discussed in notes 5(i) and 6(i),

(b) *Security* positions and precious metal positions that represent excess margin in the client's account may be excluded. (If the starting point of the calculations is *securities* or precious metal positions not required to be in *segregation*/*safekeeping*, this deduction has already been included in the loan value calculation of Column 7 on Schedules 10A and 10B.),

(c) *Security* positions that are financed by limited recourse loans that meet the industry standard wording set out in the Limited Recourse Call Loan Agreement may be excluded,

(d) In the case of margin accounts, 25% of the *market value* of long positions in any: (I) non-marginable *securities* or, (II) *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,

(e) 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 8(i)(a)) in the account may be deducted from the amount loaned calculation, provided that such *securities* are carried in readily saleable quantities only,

(f) 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

(g) Any *security* positions or precious metal 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.

(v) Amount Loaned is the position exposure (either long or short) with the largest calculated amount loaned.

Concentration thresholds

(8) The following concentration thresholds apply:

Amount loaned issuer classification	**Issuer classification or special application criteria**	**Amount loaned concentration threshold**
(i) Related or "non-arm's length" *securities*	*Securities* issued by: (a) the *Investment Dealer Member*, or (b) a company meeting all of the following thresholds: · *Investment Dealer Member* accounts are included in the consolidated financial statements · the assets and revenue of the *Investment Dealer 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 *Investment Dealer Member* for the preceding fiscal year.	One-third of the sum of the *Investment Dealer Member's risk adjusted capital* before *securities* concentration charge and minimum capital (Statement B, Line 8), as most recently calculated.
(ii) Non-marginable *securities* of an issuer held in a cash account(s)	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 8(i)(a)(II).	
(iii) Non-related or arm's length marginable *securities*	*Securities*, or a precious metal position, other than those described in notes 8(i) and 8(ii) above.	Two-thirds of the sum of the *Investment Dealer Member's risk adjusted capital* before *securities* concentration charge and minimum capital (Statement B, Line 8), as most recently calculated.
(iv) Additional exposures	The following scenarios result in a reduced concentration threshold for any other issuer or precious metal position:	One-half of the sum of the *Investment Dealer Member's risk adjusted capital* before *securities* concentration charge and

Amount loaned issuer classification	Issuer classification or special application criteria	Amount loaned concentration threshold
	(a) Multiple violations: If the *Investment Dealer Member* has already incurred a concentration charge for an issuer position or precious metal position under notes 8(i), 8(ii), or 8(iii); or, (b) Material exposures: If the *Investment Dealer Member* has already measured a concentration exposure on any one non-related issuer or a precious metal position in excess of one-half of the sum of *risk adjusted capital* before *securities* concentration charge and minimum capital (Statement B, Line 8), as most recently calculated.	minimum capital (Statement B, Line 8), as most recently calculated. Any additional exposures for issuer positions classified under 8(i) or 8(ii) are measured at one-third of the sum of the *Investment Dealer Member's risk adjusted capital* before *securities* concentration charge and minimum capital (Statement B, Line 8), as most recently calculated.

(9) The additional exposures threshold reductions detailed in note 8(iv) apply to all issuer positions tested under Schedule 10, including positions from the same issuer whose concentration exposures are calculated separately under Schedules 10A and 10B.

Concentration charge

(10) An amount equal to 150% of the excess of the final adjusted amount loaned over the concentration thresholds indicated in note 8 is required unless the excess is cleared within five *business days* of the date it first occurs.

(11) For the purpose of calculating the concentration charges as required by notes 8(i), 8(ii), 8(iii), 8(iv), and 10 above, such calculations must be performed for the largest three issuer positions and precious metal positions originating from Schedule 10A and the largest three issuer positions originating from Schedule 10B, ranked by Final adjusted amount loaned in which there is a concentration exposure. Concentration exposures in issuer positions exceeding the thresholds described in notes 8(i) and 8(ii) are ranked first on Schedule 10.

(12) For Schedule 10A positions, the concentration charge relating to long positions is limited to the loan value of the issuer *security(ies)* or precious metal position for which the charge is incurred. For Schedule 10B positions, the concentration charge is limited to the risk-weighted loan value of the issuer *security(ies)* as calculated for long positions, which is also applicable for short positions.

Other

(13) (i) Where there is an over exposure in a *security* or a precious metal position and the concentration charge as referred to above would produce either a capital deficiency or an early warning violation, the *Investment Dealer Member* must report the over exposure situation to *CIRO* on the date the over exposure first occurs.

(ii) A measure of discretion is left with *CIRO* in dealing with the resolution of concentration situations, particularly as regards to time requirements for correcting any over exposure, as well as whether *securities* or precious metal positions are carried in "readily saleable quantities".

Form 1, Part II – Schedule 10A

Investment Dealer Member's name

Date

Concentration of securities – Investment Dealer Members
General Security Test

[excluding securities required to be in segregation or safekeeping & debt securities with a margin rate of 10% or less (see Sch. 10, note 3 and Sch. 10A, note 3)]

1	2	3	4	5	6	7	8	9	10	11	12
Description of security [Sch. 10A, note 2]	Client position long/(short) C$000's [Sch. 10, note 5]	Dealer Member's own long/(short) C$000's [Sch. 10, note 6]	Unit Price	Market value C$000's	Effective margin rate	Loan value of securities C$000's [Sch. 10, note 2]	Adjustments in arriving at amount loaned C$000's	"Amount loaned" C$000's [Sch. 10, note 7]	Amount cleared within five business days C$000's	Final adjusted amount loaned C$000's	General Security Test - exposure greater than 1/2 RAC, or 1/3 RAC (Yes/ or No) [Sch. 10, notes 1 and 8]

Form 1, Part II – Schedule 10A
Notes and instructions

General Security Test

(1) *Investment Dealer Members* must disclose the largest ten issuer positions and precious metal positions subject to the General Security Test, whether or not a concentration charge applies. If there are more than ten issuer positions and precious metal positions where a concentration exposure exists, then all such positions must be listed.

(2) An issuer position must include all classes of *securities* for an issuer (i.e. all long and short positions in equity, convertibles, debt, structured products or other securities of an issuer other than the exclusions cited in note 4). Precious metal positions are also tested using the General Security Test methodology and must include all certificates and bullion of the particular precious metal (gold, platinum or silver).

(3) Each individual mutual fund or Exchange Traded Fund (ETF) may be reported as a separate issuer amount loaned exposure unless there is a legal or risk basis for consolidating separate funds from a single fund manager. This may be the case where it is determined that there is a shared credit risk to the fund manager, or other counterparty. Related series or classes of the same fund should be consolidated.

(4) Exclude all:

(i) *debt securities* and debt obligations and other evidences of indebtedness with a normal margin requirement of 10% or less,

(ii) stripped coupons and residuals if they are held on a book based system and are in respect of federal and provincial debt instruments,

(iii) mutual funds and ETFs that meet the definition of “money market fund” as defined in National Instrument 81-102,

(iv) high interest savings account funds (HISA) covered by the Canada Deposit Insurance Corporation (CDIC), and

(v) mutual funds and ETFs that meet the definition of a *diversified investment product*.

Form 1, Part II – Schedule 10B

Investment Dealer Member's name

Date

Concentration of securities – Investment Dealer Members
Debt Security Test

[excluding securities required to be in segregation or safekeeping & positions reported on Schedule 10A (see Sch. 10, note 3)]

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description of security [Sch. 10B, note 2]	Client position long/(short) C$000's [Sch. 10, note 5]	Dealer Member's own long/(short) C$000's [Sch. 10, note 6]	Unit Price	Market value C$000's	Effective margin rate	Loan value of securities C$000's [Sch. 10, note 2]	Adjustments in arriving at amount loaned C$000's	"Amount loaned" C$000's [Sch. 10, note 7]	Risk-weighting adjustment factor % [Sch. 10B, notes 5, 6 and 7]	Risk-weighted "amount loaned"(Column 9 x Column 10) C$000's [Sch. 10B, notes 5, 6 and 7]	Amount cleared within five business days C$000's	Final adjusted amount loaned C$000's	Debt Security Test – exposure greater than 1/2 RAC, or 1/3 RAC (Yes or No) [Sch. 10, notes 1 and 8]

Form 1, Part II – Schedule 10B
Notes and instructions

Debt Security Test

(1) *Investment Dealer Members* must disclose the largest ten issuer positions subject to the Debt Security Test, whether or not a concentration charge applies. If there are more than ten issuer positions where a concentration exposure exists, then all such positions must be listed.

(2) The Debt Security Test methodology applies to *debt securities* with a normal margin requirement of 10% or less, whose concentration exposures are calculated separately from the other *securities* of an issuer included for testing under the General Security Test. An issuer position must include all debt issuance classes or series of *securities* for an issuer (i.e. all long and short positions in *debt securities* with a normal margin requirement of 10% or less, other than *debt securities* cited in note 3).

(3) Exclude non-commercial *debt securities* with a normal margin requirement of 10% or less and debt obligations and evidences of indebtedness with an original maturity of 1 year or less, as categorized below, that meet the following minimum *designated rating organization* current credit rating requirements and qualifications:

Exclusions from Schedule 10B			
Category		**Minimum designated rating organization current credit rating**	**Qualification(s)**
1.	Non-commercial *debt securities* with a normal margin rate of less than 10%, issued or guaranteed by the following: · national governments of Canada, United Kingdom, and United States · Canadian provincial governments · the International Bank for Reconstruction and Development · Canadian and United Kingdom municipal corporations	Not applicable	Not applicable (N/A)
2.	Other non-commercial *debt securities* with a normal margin rate of 10% or less	A	
3.	Debt obligations and other evidences of indebtedness with an original maturity of 1 year or less, issued or guaranteed by the following: · A Canadian financial institution qualifying as an *acceptable institution* · A foreign financial institution qualifying as an *acceptable institution*	R-1(low), F1, P-1, A-1(low)	Structured finance products as defined in National Instrument 25-101 are not eligible for exclusion

Additional netting allowance for Dealer Member's own position and client position

(4) *Security* positions that qualify for a margin offset may be excluded, as detailed in Schedule 10, notes 5(i) and 6(i). The remaining net long (short) *Investment Dealer Member's* own inventory position may be calculated on a net basis. Individual client account positions are also eligible for this netting allowance. The offsetting of positions is allowed if:

(i) the positions are of the same seniority, or

(ii) the short position is junior in the statutory creditor hierarchy, or contractually subordinated, to the long position.

It is not permitted to net the *Investment Dealer Member's* own position against client positions, or to net exposures across client accounts. Netting across client accounts is only permitted in accordance with section 5830 of the *CIRO Rules*, supported by a written hedge agreement in a form acceptable to *CIRO*.

Additional amount loaned adjustments available for the Debt Security Test

(5) The amount loaned may be reduced by applying a risk-weighting adjustment factor if the *debt security(ies)* meets the minimum current credit requirement from at least one *designated rating organization* as indicated in the following table:

Risk-weighting adjustments for debt securities margined at 10% or less			
	Minimum designated rating organization rating	**Adjustment factor**	**Multiple designated rating organization current credit ratings**
Long term rating:			If only one current credit rating, that rating applies. If two current credit ratings, the lower rating applies. If more than two current credit ratings, refer to the highest two ratings and apply the lower rating.
1.	AAA	40%	
2.	AA to A	50%	
3.	BBB	60%	
4.	Below BBB or not rated	80%	
Short term rating:			
5.	Above R-2, F3, P-3, A-3	40%	
6.	R-2, F3, P-3, A-3	60%	
7.	Below R-2, F3, P-3, A-3 or not rated	80%	

(6) In order to qualify for a risk-weighting adjustment factor, the following additional eligibility standards apply:

(i) commercial *debt securities* must be ranked senior to any outstanding *equity securities* from the same issuer in the statutory creditor hierarchy, or contractually

(ii) structured finance products as defined in National Instrument 25-101 are risk-weighted at 80%.

2-step methodology for determining risk-weighting adjustment factor

(7) Step 1: Calculate the issuer's risk-weighted amount loaned using the highest determined adjustment factor (i.e. lowest applicable DRO rating or not rated in note 5) for all debt issue exposures held for that issuer. If the risk-weighted amount loaned calculated in Step 1 does not exceed any of the concentration thresholds detailed in Schedule 10, notes 8(i), 8(ii), 8(iii), 8(iv), there is no need to make any additional risk-weighting calculations.

Step 2: Option to use a weighted average adjustment factor to calculate the risk-weighted amount loaned:

1. calculate the weights for each applicable adjustment factor within the aggregate amount loaned exposure (Schedule 10B, Column 9) for the issuer.
2. multiply each adjustment factor by its weight in the aggregate amount loaned exposure.
3. add the weighted adjustment factors together to determine the weighted average adjustment factor.

Form 1, Part II – Schedule 11

Dealer Member's name

Date

Insurance

A. Financial Institution Bond (FIB) clauses (a) to (e)

			Reference	C$000's		C$000's	
		Minimum coverage required for each clause:					
Mutual Fund Dealer Members categorized as Level 1, 2 or 3 Dealers and Investment Dealer Members who are Type 1 introducing brokers							
1.	(a)	Minimum coverage of				$200	
	(b)	Client net equity			x 0.5%		[see note 3]
	(c)	Total allowable assets	A-20		x 0.5%		
		Greater of (a), (b) and (c) above to maximum of $25,000,000					
Investment Dealer Members who are Type 2 introducing brokers							
2.	(a)	Minimum coverage of				$500	
	(b)	Client net equity			x 0.5%		[see note 3]
	(c)	Total allowable assets	A-20		x 0.5%		
		Greater of (a), (b) and (c) above to a maximum of $25,000,000					
All other Dealer Members							
3.	(a)	Minimum coverage of				$500	
	(b)	Client net equity:					
		i) Dealer Member's own					
		ii) Carrying brokers' introducing brokers					
		Total			x 1%		[see note 3]
	(c)	Total allowable assets	A-20		x 1%		
		Greater of (a), (b) and (c) above to a maximum of $25,000,000					
4.		Coverage maintained per FIB					[see notes 4 and 8]
5.		Excess/(deficiency) in coverage					[see note 5]
6.		Amount deductible under FIB (if any)					[see note 6]

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B. Registered mail insurance

1.	Coverage per mail policy		[see note 7]

C. FIB and registered mail policy information [see note 8]

Insurance company	Name of the insured	FIB/registered mail	Expiry date	Coverage	Type of aggregate limit	Provision for full reinstatement	Premium

Insurance company	Name of the insured	FIB/registered mail	Expiry date	Coverage	Type of aggregate limit	Provision for full reinstatement	Premium

D. Losses and claims [see note 10]

Date of loss	Date of discovery	Amount of loss	Deductible applying to loss	Description	Claim made?	Settlement	Date settled

Form 1, Part II – Schedule 11

Notes and instructions

(1) *Dealer Members* must have and maintain insurance against the types of loss and with at least the minimum amount of coverage as prescribed in the *CIRO requirements* and the rules of the *Investor Protection Fund*.

(2) Schedule 11 must be completed at the audit date and monthly as part of the *monthly financial report*.

(3) Net equity for each client is the net value of cash, *securities*, precious metals bullion and other *investment products* held or controlled by the *Dealer Member* on behalf of clients. The net value is determined as the total value of cash, *securities*, precious metals bullion and other *investment products* owed to the client by the *Dealer Member* less the total value of cash, *securities*, precious metals bullion and other *investment products* owed by the client to the *Dealer Member*. In determining net equity, accounts of a client such as cash, margin, short sale, options, futures contracts, foreign currency and Quebec Stock Savings Plans are combined and treated as one account. Registered accounts should not be 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. The aggregate net equity for each client is reported on Schedule 11 Part A, Lines 1(b), 2(b) and 3(b) depending on the *Dealer Member* type or level. Negative client net equity, (i.e. total deficiency in net equity owed to the *Dealer Member* by the client) is not included in the aggregate. Cash and *securities* held by a *Dealer Member* in its capacity as agent for the trustee must be included in the determination of total client net equity held by the *Dealer Member*.

For a Dealer Level 1 and 2, the client net equity reported on Line 1(b) should be zero since these *Dealer Members* do not hold client assets. For a Dealer Level 3, the client net equity reported on Line 1(b) should only include client cash in trust held by the *Dealer Member* since the *Dealer Member* does not hold client *securities* or other *investment products*.

For introducing broker/carrying broker arrangements, both the introducing broker and the carrying broker must include the accounts introduced/carried when calculating the client net equity.

For Schedule 11, *guarantee*/guarantor agreements should not be considered in the calculation of net equity.

In CIRO Bulletin 25-0277, we propose to amend the above sentence as follows in IDPC Form 1, which once approved, we will incorporate into the CIRO Form 1:

For Schedule 11, the following should not be considered in the calculation of net equity:

(i) *guarantee*/guarantor agreements, and

(ii) collateral provided to the client by the *Dealer Member*, where the *Dealer Member* has borrowed the client's fully paid or excess margin *securities*.

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) A *Dealer Member* must have and maintain insurance against losses, using a Financial Institution Bond with a discovery rider attached or discovery provisions incorporated in the Financial Institution Bond. A *Dealer Member* must maintain minimum insurance coverage with a double aggregate limit or a provision for full reinstatement.

For Financial Institution Bonds 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 Ultimate Designated Person (UDP) and Chief Financial Officer (CFO) document in Form 1 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. Refer to subsection 4461(1) if the *Dealer Member* has insufficient insurance coverage.

(6) A Financial Institution Bond maintained pursuant to the rules may contain a clause or rider stating that all claims made under the bond are subject to a deductible, provided that the *Dealer Member's* margin requirement is increased by the amount of the deductible.

(7) 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 (Schedule 11, Part A Line 4).

(8) **Part B** - Every *Dealer Member* must have mail insurance that covers 100% of losses from any outgoing shipments of negotiable or non-negotiable *securities* by registered mail, unless the *Dealer Member* has notified *CIRO* that it will not use registered mail for outgoing shipments of *securities*.

(9) **Part C** - 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) **Part D** - 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 Part D of Schedule 11 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.

Form 1, Part II – Schedule 12

Dealer Member's name

Date

Unhedged foreign currencies calculation

Summary	**C$000's**
A. Total foreign exchange margin requirement	B-18

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 12A or 12B must be completed)	Margin group	Required margin
Subtotal		
All other foreign exchange margin requirement		
Total		

Form 1, Part II – Schedule 12A

Mutual Fund Dealer Member's name

Date

Details of unhedged foreign currencies calculation for individual currencies with margin required greater than or equal to $5,000 - Mutual Fund Dealer Members

Foreign currency: _____

Foreign currency group: _____

		Amount	Margin required
Balance sheet items less than or equal to two days to maturity			
1.	Total monetary assets		
2.	Total monetary liabilities		
3.	Net long (short) foreign exchange positions		
4.	Net foreign exchange position multiplied by spot risk for Group ___ of _____%		
5.	Spot rate at reporting date		
6.	Margin requirement converted to Canadian dollars		
Foreign exchange concentration charge			
7.	Total foreign exchange margin [Line 6] in excess of 25% of net allowable assets less minimum capital [not applicable to Group 1]		
Total foreign exchange margin for (currency):			

Sch. 12

Form 1, Part II – Schedule 12B

Investment Dealer Member's name

Date

Details of unhedged foreign currencies calculation for individual currencies with margin required greater than or equal to $5,000 – Investment Dealer Members

Foreign currency: _____

Foreign currency group: _____

	Amount	Weighted value	Margin required
Balance sheet items and forward/future commitments less than or equal to two years to maturity			
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 greater than 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. Net 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):			

Sch. 12

Form 1, Part II – Schedules 12, 12A, 12B

Notes and instructions

(1) The purpose of this schedule is to measure the balance sheet exposure a *Dealer Member* has to foreign currency risk. Schedule 12A or Schedule 12B must be completed for each foreign currency that has margin requirement greater than or equal to $5,000.

Schedule 12A details the foreign currency margin calculation for a *Mutual Fund Dealer Member's* foreign currency exposure. Schedule 12B details the foreign currency margin calculation for an *Investment Dealer Member*'s foreign currency exposure.

(2) The following is a summary of the quantitative and qualitative criteria for currency groups 1-4. *Dealer Members* should refer to *CIRO*'s most recently published listing of currency groupings.

(i) A Group 1 currency must (a) have a spot price volatility level of less than or equal to 1%, and (b) be a primary intervention currency of the Canadian dollar.

(ii) A Group 2 currency must (a) have a spot price volatility level of less than or equal to 3%, (b) have a daily quoted spot rate by a Schedule 1 *chartered bank*, and (c) have either: (I) a daily quoted spot rate by either: (A) a member of the Economic and Monetary Union, or (B) a participant of the Exchange Rate Mechanism II, or (II) a listed currency *futures contract* on a futures exchange.

(iii) A Group 3 currency must (a) have a spot price volatility of less than or equal to 10%, (b) have a daily quoted sport rate by a Schedule 1 *chartered bank,* and (c) be of a member country of the International Monetary Fund.

(iv) A Group 4 currency has no initial or ongoing qualification criteria.

(3) Reference should be made to the applicable *CIRO requirements* for definitions and calculations.

(4) *Monetary assets* and *monetary liabilities* are assets and liabilities, respectively, of a *Dealer Member* in respect of money and claims to money whether denominated in foreign or domestic currency, which are fixed by contract or otherwise.

(5) All *monetary assets* and *monetary liabilities* as well as the *Dealer Member's* own foreign currency future and forward commitments are to be reported on a trade date basis.

(6) *Monetary assets* and *monetary liabilities* and the *Dealer Member's* own foreign currency future and forward commitments should be disclosed by maturity dates (i.e. less than or equal to two years and greater than two years).

(7) Weighted value is calculated for *foreign exchange positions* with a *term to maturity* of over two *business days.* The weighted value is derived by taking the *term to maturity* of the *foreign exchange position* in calendar days divided by 365 (weighting factor) and multiplying it by the unhedged foreign exchange amount.

(8) The total margin requirement is the aggregate of the spot risk margin requirement and term risk margin requirement. The spot risk margin requirement applies to all *monetary assets* and *monetary liabilities*, regardless of *term to maturity*. The term risk margin requirement applies to all *monetary assets* and *monetary liabilities* with a *term to maturity* of over two *business days*. The following summarizes the margin rates by currency group:

	Currency group			
	1	**2**	**3**	**4**
Spot risk margin rate	greater of: (i) 1.00% and (ii) spot risk surcharge rate[1]	greater of: (i) 3.00% and (ii) spot risk surcharge rate[1]	greater of: (i) 10.00% and (ii) spot risk surcharge rate[1]	25.00%
Term risk margin rate [2]	1.00% to a maximum of 4.00%	3.00% to a maximum of 7.00%	5.00% to a maximum of 10.00%	12.50% to a maximum of 25.00%
Total maximum margin rates [3]	5.00%	10.00%	20.00%	50.00%

[1] The spot risk surcharge rate is determined using the approach set out in subsection 5462(2).

[2] If the weighting factor described in note 7 above exceeds the maximum term risk margin rate in the above table, the weighting factor should be adjusted to the maximum.

[3] The total maximum margin rates are used to determine the term risk margin requirement applicable to the foreign position offset set out in subsection 5466(3).

(9) *Dealer Members* may elect to exclude non-allowable *monetary assets* from the total *monetary assets* reported on Schedule 12A or Schedule 12B for purposes of the foreign exchange margin calculation. The reason underlying this proviso is that a *Dealer Member* 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 *Dealer Member* unless it serves as an economic hedge against a *monetary liability*.

(10) For *Dealer Members* offsetting a *foreign exchange position* denominated in a currency which has a currency futures contract which trades on a futures exchange, an alternative margin calculation may be used (refer to section 5467 of the *CIRO Rules*). 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 12B.

(11) **Schedule 12A Line 7 and Schedule 12B Line 20** - The foreign exchange concentration charge applies only to currency groups 2 to 4.

Dealer Member's name

Date

Margin on futures concentrations and deposits

		Margin required C$000's
1.	Total open futures contract and short futures contract option positions	
2.	Concentration in individual accounts	
3.	Concentration in individual open futures contracts and short futures contract options	
4.	Deposits with correspondent brokers	
5.	Total [Sum of Lines 1 through 4]	

Form 1, Part II – Schedules 13

Notes and Instructions

(1) The purpose of Schedule 13 is to ensure that there is adequate capital available at a *Dealer Member* to cover concentration risks regarding positions in futures contracts and short futures contract options and counterparty risk related to deposits with *correspondent brokers*.

(2) The following terms have the meanings set out when used in this schedule:

"correspondent broker"	A broker who is registered to engage in soliciting or accepting and handling orders for the purchase or sale of futures contracts or futures contract options on the behalf of the *Dealer Member* in a country other than Canada.
"maintenance margin requirement"	The margin requirement prescribed by the futures exchange on which the futures contract is entered into.
"long futures contract position"	Includes futures contracts underlying short put options on futures contracts.
"short futures contract position"	Includes futures contracts underlying short call options on futures contracts.

(3) **Line 1 - General margin provision (notes 3 and 4)**

Line 1 is used to establish a base level of capital that a *Dealer Member* is to provide when the *maintenance margin requirements* (calculated and published by the futures exchange in which the futures contracts and futures contract options are entered) are not calculated on a daily basis. The base level of capital is dependent on the number and type of contracts currently held by the *Dealer Member* and its clients.

The general margin provision calculation is on the *Dealer Member* and client account open positions in futures contracts and futures contract options, except for the specified excluded positions in the related note below.

The margin required is 15% of the greater of:

(i) the *maintenance margin requirements* of the total *long futures contract positions* for each type of futures contract carried for all *Dealer Member* and client accounts, or

(ii) the *maintenance margin requirements* of the total *short futures contract positions* for each type of futures contract carried for all *Dealer Member* and client accounts.

Where a futures exchange calculates and publishes *maintenance margin requirements* on a daily basis, no margin is required under Line 1.

(4) **Line 1 - Positions excluded in determining the general margin provision**

The following positions may be excluded in determining the general margin provision:

(i) Positions held in accounts of *acceptable institutions*, *acceptable counterparties* and *regulated entities*.

(ii) Hedge positions (as opposed to speculative positions) where the underlying interest is held in the client's account at the *Dealer Member* or that the *Dealer Member* has a document giving the *Dealer 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.

(iii) *Dealer Member* or individual client spread positions in futures contracts in the same product (including futures contracts in the same product with different delivery months) entered into on the same futures exchange.

All other spread positions are treated as speculative positions for the purpose of this calculation.

(iv) *Dealer Member* or individual client short option positions on futures contracts which are out-of-the-money by more than two *maintenance margin requirements*.

(v) *Dealer Member* or individual client spread positions in the same futures contract options.

(5) **Line 2 - Concentration in individual accounts (notes 5, 6, and 9)**

Line 2 requires capital to be provided to cover concentration risk in individual accounts (client or the *Dealer Member*) when the aggregate of the *maintenance margin requirements* for each type of futures contract position or underlying interest on futures contract option position held both long and short for individual clients (including groups of clients or related clients) or in the *Dealer Member's* inventory is greater than 15% of the *Dealer Member's* net allowable assets. The

concentration risk is the excess amount of the aggregate of those *maintenance margin requirements* over 15% of the *Dealer Member's* net allowable assets.

The capital to be provided is dependent on the excess amount calculation below (which allows for specified deductions and excluded positions in the related notes below) and how quickly the *Dealer Member* eliminates this concentration risk.

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 the relevant exchange.

The excess amount is:

(i) the aggregate of the *maintenance margin requirements* for each type of futures contract position or underlying interest on futures contract option position held both long and short for individual clients (including groups of clients or related clients) or in the *Dealer Member's* inventory, except for positions mentioned in note 9, minus

(ii) 15% of the *Dealer Member's* net allowable assets.

Deductions from part (i) of the excess amount calculation above

Any excess margin in the *Dealer Member* account or client's account may be deducted from part (i) of the excess amount calculation. The excess margin must be based on the maintenance margin.

(6) **Line 2 - Calculation of margin required for individual account concentrations**

Margin is required on the close of the third trading day after the concentration first occurred and is the lesser of:

(i) the excess amount calculated when the concentration first occurred, and

(ii) the excess amount, if any, that exists on the close of the third trading day.

(7) **Line 3 - Concentration in individual open futures contracts and short options on futures contract positions (notes 7 to 9)**

Line 3 requires capital to be provided to cover concentration risk in individual open futures contracts and short options on futures contract positions when the aggregate of two *maintenance margin requirements* on the greater of the long or the short futures contracts positions for each type of futures contract position or underlying interest of futures contract option position, held in both the *Dealer Member's* inventory and for all clients, is greater than 40% of the *Dealer Member's* net allowable assets. The concentration risk is the excess amount of those aggregate of two *maintenance margin requirements* over 40% of the *Dealer Member's* net allowable assets.

The capital to be provided is dependent on the excess amount calculation below (which allows for specified deductions and excluded positions in the related notes below) and how quickly the *Dealer Member* eliminates this concentration risk.

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 the relevant exchange.

The excess amount is:

(i) the aggregate of two *maintenance margin requirements* on the greater of the long or the short futures contracts positions for each type of futures contract position or underlying interest of futures contract option position, held in both the *Dealer Member's* inventory and for all clients, except for positions mentioned in note 9, minus

(ii) 40% of the *Dealer Member's* net allowable assets.

Deductions from part (i) of the excess amount calculation above

Any excess margin may be deducted from part (i) of the excess amount calculation, up to two *maintenance margin requirements* in the *Dealer Member* account or client's account (on a per client basis). The excess margin must be based on the maintenance margin.

(8) **Line 3 - Calculation of margin required for contract concentrations**

Margin is required on the close of the third trading day after the concentration first occurred and is the lesser of:

(i) the excess amount calculated when the concentration first occurred, and

(ii) the excess amount, if any, that exists on the close of the third trading day.

(9) **Lines 2 and 3 - Positions to be excluded in calculating margin for account and contract concentrations in notes 6 and 8**

(i) Positions held in accounts of *acceptable institutions*, *acceptable counterparties* and *regulated entities*.

(ii) Hedge positions (as opposed to speculative positions), where the underlying interest is held in the client's account at the *Dealer Member* or that the *Dealer Member* has a document giving the *Dealer 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.

(iii) The following short option positions on futures contracts in a *Dealer Member* or client account, and provided that the pairings are acceptable for margin purposes by the relevant exchange:

(a) short calls or puts which are out-of-the-money by more than two *maintenance margin requirements*,

(b) a short call and a short put pairing on the same futures contract with the same exercise price and same expiration month,

(c) a futures contract paired with an in-the-money option,

(d) a short call (put) paired with a long in-the-money call (put),

(e) a short call (put) paired with a long (short) futures contract,

(f) an out-of-the-money short call paired with an out-of-the-money long call, where the strike price of the short call exceeds the strike price of the long call, and

(g) an out-of-the-money short put paired with an out-of-the-money long put.

(10) **Line 4 - Margin on deposits with correspondent brokers**

(i) Where a *correspondent broker* owes assets (including cash, open trade equity and *securities*) to a *Dealer Member* exceeding 50% of the *Dealer Member's* net allowable assets, the excess amount must be provided as a charge in computing the *Dealer Member's* margin required.

The assets owing to the *Dealer Member* are the amount of deposits before reducing this amount by the *maintenance margin requirements* for all open positions.

(ii) Where the net worth of the *correspondent broker* (as determined from its latest published audited financial statements) is less than or equal to $50,000,000, the *Dealer Member* must provide the amount calculated in note 10(i). If net worth exceeds $50,000,000, then no margin is required.

(iii) Where a *Dealer Member* who operates its futures contracts and futures contract options business on a fully disclosed basis with a *correspondent broker*, no exemption from this requirement is permitted.

Form 1, Part II – Schedule 14

Dealer Member's name

Date

Provider of capital concentration charge

Name of provider of capital

		Reference	C$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		
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 investment in securities issued by the provider of capital		

C. Calculation of financial statement capital provided by the provider of capital

1. Regulatory financial statement capital provided by the provider of capital (including pro-rata share of reserves and retained earnings)

D. Net allowable assets

1. Net allowable assets

E. Exposure test #1 - Dollar cap on cash deposits and undersecured loans

1. Regulatory financial statement capital provided by the provider of capital — Section C, Line 1
2. Cash deposits and undersecured loans with provider of capital — Section A, Line 15
3. Regulatory 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. Regulatory financial statement capital provided by the provider of capital — Section C, Line 1
2. Cash deposits and undersecured loans with provider of capital — Section A, Line 15
3. Investments in securities issued by the provider of capital — Section B, Line 4
4. Total cash deposits and undersecured loans and investments [Section F, Line 2 plus Section F, Line 3]
5. Regulatory 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. Capital charge incurred under Exposure Test #1 — Section E, Line 5
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]
10. Total provider of capital concentration charge [Section E, Line 5 plus Section F, Line 9]

Form 1, Part II – Schedule 14
Notes and instructions

(1) The purpose of this schedule is to measure the exposure a *Dealer Member* 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. This schedule should be completed on a settlement date basis.

(2) The following terms have the meanings set out when used in this schedule:

"provider of capital"	An *individual* or entity and its affiliates that provides capital to a *Dealer Member*.
"Regulatory financial statement capital provided by the provider of capital"	The portion of the regulatory financial statement capital (calculated on Line 4 of Statement B) that has been provided to the *Dealer Member* by the *provider of capital*.

(3) Calculation of cash and undersecured loans with provider of capital

(i) Section A, Line 2 – The cash held in trust to be reported on this line includes cash held at the *provider of capital* that is segregated due to the free credit ratio calculation or segregated by *Mutual Fund Dealer Members* due to *CIRO requirements*. Cash deposited in trust for RRSP and other similar accounts is excluded.

(ii) 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.

(iii) 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*.

(iv) 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.

(v) 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*.

(vi) 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* the collateral is assumed to have no value for the purposes of the above calculation.

(vii) 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*.

(viii) 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.

(ix) 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.

(x) 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.

(4) **Calculation of investments in securities issued by the provider of capital**

(i) Section B, Line 1 – Include all investments in *securities* issued by the *provider of capital*.

(ii) 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.

(iii) Section B, Line 3 – Include only those *security* positions that are otherwise eligible for offset pursuant to *CIRO*'s capital requirements.

(5) **Calculation of financial statement capital provided by the provider of capital**

(i) 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 reserves and retained earnings.

Form 1, Part II – Schedule 15

Mutual Fund Dealer Member's name

Date

Early warning tests - Mutual Fund Dealer Member (Level 1, 2 and 3 Dealers)

C$000's

A. Liquidity test

Is early warning excess [Statement C, Line 11] less than 0? Yes/No

B. Capital test

Is risk adjusted capital [Statement B, Line 31] less than 0? Yes/No

C. Profitability test #1

		Months	Profit or loss for 3 months ending with current month C$000's [see note 3]
1.	Current month		
2.	Preceding month		
3.	3rd month		
4.	Total [see note 4]		
5.	Risk adjusted capital [at Form 1 date]		

Is loss on Line 4 greater than Line 5? Yes/No

D. Profitability test #2

		Months	Profit or loss for 6 months ending with current month C$000's [see note 3]
1.	Current month		
2.	Preceding month		
3.	3rd month		
4.	4th month		
5.	5th month		
6.	6th month		
7.	Total [see note 5]		
8.	Risk adjusted capital [at Form 1 date]		

Is loss on Line 7 greater than Line 8? Yes/No

E. Frequency penalty

1. Has the Dealer Member triggered early warning at least 3 times in the past 12 months? Yes/No

Form 1, Part II – Schedule 15

Notes and instructions

(1) The objective of the various early warning tests is to measure characteristics likely to identify a Level 1, 2 or 3 Dealer 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.

(2) Level 1, 2 or 3 Dealers are subject to the early warning tests on Schedule 15.

(3) The profit or loss figures to be used are before asset revaluation income and expense, interest on internal *subordinated debt*, bonuses, and income taxes (Statement D, Line 35 – Profit (loss) for early warning test). The "current month" figure must also reflect any audit adjustments made subsequent to the filing of the *monthly financial report*. These audit adjustments must be reported on the reconciliation schedule (Schedule 16M) within the Form 1 regulatory financial filing system.

(4) **Schedule 15, Section C - Profitability test #1 -** If the total is a profit, no further calculation is required under this section. Enter a "No" answer.

(5) **Schedule 15, Section D - Profitability test #2 -** If the total is a profit, no further calculation is required under this section. Enter a "No" answer.

Form 1, Part II – Schedule 16

Dealer Member's name

Date

Early warning tests – level 1
(for Investment Dealer Members and Level 4 Dealers)

C$000's

A. Liquidity test

Is early warning reserve [Statement C, Line 13] less than 0? Yes/No

B. Capital test

1. Risk adjusted capital [Statement B, Line 31]
2. Total margin required [Statement B, Line 26] 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 C$000's [see note 4]	Profit or loss for 6 months ending with preceding month C$000's [see note 4]
1.	Current month			
2.	Preceding month			
3.	3rd month			
4.	4th month			
5.	5th month			
6.	6th month			
7.	7th month			
8.	Total [see note 5]			
9.	Average multiplied by -1			
10A.	Risk adjusted capital [at Form 1 date]			
10B.	Risk adjusted capital [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 [see notes 2 and 4] multiplied by -6
2. Risk adjusted capital [at Form 1 date]

Is Line 2 less than Line 1? Yes/No

Form 1, Part II – Schedule 16A

Dealer Member's name

Date

Early warning tests – level 2
(for Investment Dealer Members and Level 4 Dealers)

		C$000's	
A.	**Liquidity test**		
	Is early warning excess [Statement C, Line 11] less than 0?		Yes/No
B.	**Capital test**		
	1. Risk adjusted capital [Statement B, Line 31]		
	2. Total margin required [Statement B, Line 26] multiplied by 2%		
	Is Line 1 less than Line 2?		Yes/No
C.	**Profitability test #1**		
	Is Schedule 16, Section C, Line 11A less than 3 and Schedule 16, Section C, Line 11B less than 6?		Yes/No
D.	**Profitability test #2**		
	1. Loss for current month [see notes 4 and 6] multiplied by -3		
	2. Risk adjusted capital [at Form 1 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 C$000's [see note 4]
1. Current month	----------	----------
2. Preceding month	----------	----------
3. 3rd month	----------	----------
4. Total [see note 7]		
5. Risk adjusted capital [at Form 1 date]		

Is loss on Line 4 greater than Line 5? Yes/No

F. Frequency penalty

1. Has the Dealer Member triggered early warning at least 3 times in the past 6 months or is risk adjusted capital less than 0? Yes/No
2. Has the Dealer Member triggered liquidity or capital tests on Schedule 16? Yes/No
3. Has the Dealer Member triggered profitability tests on Schedule 16? Yes/No
4. Are Lines 2 and 3 both yes? Yes/No

Form 1, Part II – Schedules 16 and 16A

Notes and instructions

(1) The objective of the various early warning tests is to measure characteristics likely to identify a *Dealer Member* 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.

(2) *Investment Dealer Members* and Level 4 Dealers are subject to the early warning tests on Schedule 16 and 16A.

(3) If the *Investment Dealer Member* or Level 4 Dealer is currently capital deficient (i.e. *risk adjusted capital* is negative), only Line 1 of Part F in Schedule 16A must be completed. Schedule 16 and the remainder of Schedule 16A do not need to be completed.

(4) The profit or loss figures to be used are before asset revaluation income and expense, interest on internal *subordinated debt*, bonuses, and income taxes (Statement D, Line 35 – Profit (loss) for early warning test). The "current month" figure must also reflect any audit adjustments made subsequent to the filing of the *monthly financial report*. These audit adjustments must be reported on the reconciliation schedule (Schedule 16M) within the Form 1 regulatory financial filing system.

(5) **Schedule 16, Section C - Profitability test #1, Schedule 16A, Section C - Profitability test #1** - If either or both of the calculated totals is a profit, no further calculation is required under these sections.

(6) **Schedule 16, Section D - Profitability test #2 and Schedule 16A, Section D - Profitability test #2** - If the amount is a profit, no further calculation is required under these sections.

(7) **Schedule 16A, Section E - Profitability test #3** - If the total is a profit, no further calculation is required under this section.

Form 1, Part II – Schedule 17

Dealer Member's name

Date

Supplementary information
(Figures not subject to audit)

		C$000's
A.	**Segregation**	
1.	Aggregate market value of securities required to be recalled from call loans	
		No.
B.	**Number of employees**	
1.	Number of employees - registered	
2.	Number of employees - other	
C.	**Number of trades executed during the month**	
1.	Bonds	
2.	Money market	
3.	Equities – Listed Canadian	
4.	Equities – Foreign	
5.	Options	
6.	Futures contracts	
7.	Mutual funds	
8.	New issues	
9.	Other	
	Total	
D.	**Number of Dealing Representatives – Mutual Fund Dealer Members only**	
1.	Number of representatives registered only in Quebec	
2.	Number of representatives registered outside Quebec	
	Total	

Notes and instructions:

(1) *Mutual Fund Dealer Members* and *Investment Dealer Members* offering margin and engaging in call loan activities must report the aggregate *market value* of *securities* required to be recalled from call loans to meet *segregation* requirements.

(2) All *Dealer Members* must report the number of employees and number of trades under Part B and C. Only *Mutual Fund Dealer Members* are required to report number of dealing representatives under Part D.

(3) Part C - Trade tickets, not fills, for all markets must be counted.

(4) Part D – The *Mutual Fund Dealer Member* should report the number of Approved Persons who are engaged in selling activities. This would include licensed assistants, trading partners/directors/officers registered to the *Mutual Fund Dealer Member* and sales representatives who have direct dealings with clients.

Form 1, Part II – Schedule 18

Dealer Member's name

Date

Assets under administration information

(Figures not subject to audit)

		Current period C$000's
A.	**Mutual Fund Dealer Members**	
	Nominee name client positions	
	All products	
1.	Assets under Administration (excluding Quebec)	
2.	Assets under Administration (total including Quebec)	
	Investment (Mutual) Funds only	
3.	Assets under Administration (excluding Quebec)	
4.	Assets under Administration (total including Quebec)	
	Client name positions	
	All products	
5.	Assets under Administration (excluding Quebec)	
6.	Assets under Administration (total including Quebec)	
	Investment (Mutual) Funds only	
7.	Assets under Administration (excluding Quebec)	
8.	Assets under Administration (total including Quebec)	
	Cash	
9.	Held for clients (excluding Quebec)	
10.	Held for clients (total including Quebec)	
B.	**Investment Dealer Members**	
1.	Market value of client name positions and outside holdings not included in client net equity	

Form 1, Part II – Schedule 18

Notes and instructions

(1) This schedule must be completed and filed by the Dealer Member, as applicable, on a quarterly basis, and included as part of the *monthly financial report* package for that period.

(2) **Part A Line 1** - Assets under administration for this line is the total market value of all nominee name *investment product* positions held or controlled by the *Mutual Fund Dealer Member* for clients in all provinces of Canada, excluding Quebec.

(3) **Part A Line 2** - Assets under administration for this line is the total market value of all nominee name *investment product* positions held or controlled by the *Mutual Fund Dealer Member* for clients in all provinces of Canada.

(4) **Part A Line 3** - Assets under administration for this line is the total market value of all nominee name investment fund positions (mutual funds and non-redeemable investment funds as defined in *securities laws*) held or controlled by the *Mutual Fund Dealer Member* for clients in all provinces of Canada, excluding Quebec.

(5) **Part A Line 4** - Assets under administration for this line is the total market value of all nominee name investment fund positions (mutual funds and non-redeemable investment funds as defined in *securities laws*) held or controlled by the *Mutual Fund Dealer Member* for clients in all provinces of Canada.

(6) **Part A Line 5** - Assets under administration for this line is the total market value of all client name *investment product positions* for clients of the *Mutual Fund Dealer Member,* in all provinces of Canada, excluding Quebec.

(7) **Part A Line 6** - Assets under administration for this line is the total market value of all client name *investment product positions* for clients of the *Mutual Fund Dealer Member,* in all provinces of Canada.

(8) **Part A Line 7** - Assets under administration for this line is the total market value of all client name investment fund positions (mutual funds and non-redeemable investment funds as defined in *securities laws*) for clients of the *Mutual Fund Dealer Member,* in all provinces of Canada, excluding Quebec.

(9) **Part A Line 8** - Assets under administration for this line is the total market value of all client name investment fund positions (mutual funds and non-redeemable investment funds as defined in *securities laws*) for clients of the *Mutual Fund Dealer Member,* in all provinces of Canada.

(10) **Part A Line 9** – *Mutual Fund Dealer Members* must report on this line, the total cash held for clients in all provinces of Canada, excluding Quebec.

(11) **Part A Line 10** – *Mutual Fund Dealer Members* must report on this line, the total cash held for clients in all provinces of Canada.

(12) **Part B Line 1** – The client net equity reported on Schedule 11 includes client assets held or controlled by the *Dealer Member* on the client's behalf but does not include client assets held outside of the control of the *Dealer Member* such as book-based client name assets. *Investment Dealer Members* must report on this line, total market value of all *investment products* reflected in the *records* they are required to maintain for *outside holdings*.

(13) Assets of non-resident clients should also be included in the determination of assets under administration for this schedule as the *Dealer Member* is providing service to the clients, whether it be advice, periodic client statements, or other back-office support.