

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**

**MARGIN REQUIREMENTS FOR CERTAIN CASH AND SECURITY BORROWING AND LENDING  
ARRANGEMENTS – AMENDMENTS TO SCHEDULES 1, 7 AND 7A OF DEALER MEMBER FORM 1**

**TEXT OF THE AMENDMENTS**

1. Dealer Member Form 1 is amended by repealing and replacing Schedules 1, 7 and 7A, and the Notes and Instructions thereto, with the following:

FORM 1, PART II – SCHEDULE 1

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Dealer Member Name)

**ANALYSIS OF LOANS RECEIVABLE, SECURITIES BORROWED AND RESALE AGREEMENTS**

	<b>AMOUNT OF LOAN RECEIVABLE OR CASH DELIVERED AS COLLATERAL C\$'000 [see note 3]</b>	<b>MARKET VALUE OF SECURITIES DELIVERED AS COLLATERAL C\$'000 [see note 4]</b>	<b>MARKET VALUE OF SECURITIES RECEIVED AS COLLATERAL OR BORROWED C\$'000 [see note 4]</b>	<b>REQUIRED TO MARGIN C\$'000</b>
<b>LOANS RECEIVABLE:</b>				
1. <i>Acceptable institutions</i>	_____	N/A	_____	Nil
2. <i>Acceptable counterparties</i>	_____	N/A	_____	_____
3. <i>Regulated entities</i>	_____	N/A	_____	_____
4. <i>Others [see note 14]</i>	_____	N/A	_____	_____
<b>SECURITIES BORROWED:</b>				
5. <i>Acceptable institutions</i>	_____	_____	_____	Nil
6. <i>Acceptable counterparties</i>	_____	_____	_____	_____
7. <i>Regulated entities</i>	_____	_____	_____	_____
8. <i>Others [see note 14]</i>	_____	_____	_____	_____
<b>RESALE AGREEMENTS:</b>				
9. <i>Acceptable institutions</i>	_____	N/A	_____	Nil
10. <i>Acceptable counterparties</i>	_____	N/A	_____	_____
11. <i>Regulated entities</i>	_____	N/A	_____	_____
12. <i>Others [see note 14]</i>	_____	N/A	_____	_____
13. <b>TOTAL</b> [Lines 1 through 12]	_____		_____	_____
	A-6			B-9

**FORM 1, PART II – SCHEDULE 1  
NOTES AND INSTRUCTIONS**

1. This schedule is to be completed for secured loan receivable transactions whereby the stated purpose of the transaction is to lend excess cash. All security borrowing 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,
  - (a) "cash loans receivable" are loan transactions where the purpose of the loan is for the Dealer Member to lend cash and receive securities as collateral from the counterparty;
  - (b) "excess collateral deficiency" is defined as:
    - (i) For cash loans 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 securities borrow arrangements, 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.
- and
- (c) "securities borrow arrangements" are loan transactions 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. **Cash loans receivable**

**(a) Written agreement requirements**

Any written agreement for a cash loan receivable between the Dealer Member and a counterparty must include terms which provide:

- (i) For the rights of either party to retain or realize on securities held by it from the other party on default;
- (ii) For events of default;
- (iii) For the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party;
- (iv) Either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority; and
- (v) If set-off rights or security interests are created in securities provided as collateral by one party to another, that the securities are endorsed for transfer, where applicable, and free of any trading restrictions.

**(b) Margin requirements**

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

- (i) 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(a), the margin required shall be:
  - (A) Nil, where the counterparty to the transaction is an *acceptable institution* and the transaction has been confirmed with the *acceptable institution*, or

**FORM 1, PART II – SCHEDULE 1**  
**NOTES AND INSTRUCTIONS** [Continued]

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

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

<b>Transaction counterparty type</b>	<b>Margin required</b>
<i>Acceptable institution</i>	No margin <sup>1</sup>
<i>Acceptable counterparty</i>	Excess collateral deficiency <sup>1</sup>
<i>Regulated entity</i>	Excess collateral deficiency <sup>1</sup>
Other	Margin
<sup>1</sup> Any transaction which has not been confirmed by an <i>acceptable institution, acceptable counterparty</i> or <i>regulated entity</i> within 15 business days of the trade shall be margined.	

**6. Securities borrow arrangements**

**(a) Written agreement requirements**

Any written agreement for a securities borrowing arrangement between the Dealer Member and a counterparty must include terms which provide:

- (i) For the rights of either party to retain or realize on securities held by it from the other party on default;
- (ii) For events of default;
- (iii) For the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party;
- (iv) Either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority; and
- (v) If set-off rights or security interests are created in securities borrowed or securities provided as collateral by one party to another, that the securities are endorsed for transfer, where applicable, and free of any trading restrictions.

**(b) Additional written agreement requirements for certain agency agreements**

**Agency agreements where agent may be treated as equivalent to principal**

Any written collateral management or custodial agreement involving a securities borrowing arrangement between the Dealer Member and a third party custodian, which is acting as an agent, may be reported and treated in the same manner for margin purposes as the equivalent principal securities borrowing arrangement between the Dealer Member and the third party custodian, if all of the following additional terms [i.e. over and above those set out in Note 6(a)] 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;
- (ii) in the event of the Dealer Member 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; and

**FORM 1, PART II – SCHEDULE 1**  
**NOTES AND INSTRUCTIONS** [Continued]

- (iii) the third party custodian agent must meet the definition of “financial intermediary” in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act).

**Agency agreements where agent must not be treated as equivalent to principal**

Where these additional terms [(i),(ii) and (iii) immediately above] are not all present or the arrangement does not involve an agent that is acting as a third party custodian, the Dealer Member must look through the agent in the agency arrangement to the underlying principal lender and the agency arrangement must be reported and treated in the same manner for margin purposes as the equivalent principal securities borrowing arrangement between the Dealer Member and the underlying principal lender.

**(c) Margin requirements**

The margin requirements for a securities borrowing arrangement are as follows:

- (i) 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 6(a), the margin required shall be:
- (A) Nil, where the counterparty to the transaction is an *acceptable institution* and the transaction has been confirmed with the *acceptable institution*, or
- (B) 100% of the market value of the actual collateral provided to the transaction counterparty.
- (ii) Where a written agreement has been entered into that includes all of the required minimum terms in Note 6(a), for margin purposes:
- (A) For principal arrangements, the counterparty is the principal in the arrangement,
- (B) For agency arrangements, where a third party custodian agent is involved and all of the additional required minimum terms in Note 6(b) are present, the counterparty is the third party custodian,
- (C) For agency arrangements, where all of the additional required minimum terms in Note 6(b) are not present or the arrangement does not involve an agent that is acting as a third party custodian, the counterparty is the underlying principal lender,

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

<b>Transaction counterparty type</b>	<b>Margin required</b>
<i>Acceptable institution</i>	No margin <sup>1</sup>
<i>Acceptable counterparty</i>	Excess collateral deficiency <sup>1</sup>
<i>Regulated entity</i>	Excess collateral deficiency <sup>1</sup>
Other	Margin
<sup>1</sup> Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 business days of the trade shall be margined.	

**7. Securities resale agreements**

**(a) Written agreement requirements**

Any written agreement for a securities resale agreement between the Dealer Member and a counterparty must include terms which provide:

- (i) For the rights of either party to retain or realize on securities held by it from the other party on default,
- (ii) For events of default,

**FORM 1, PART II – SCHEDULE 1**  
**NOTES AND INSTRUCTIONS** [Continued]

- (iii) For the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party,
- (iv) Either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority,
- (v) If set-off rights or security interests are created in securities sold or loaned by one party to another, that the securities are endorsed for transfer, where applicable, and free of any trading restrictions; and
- (vi) For an acknowledgement by the parties that either has the right, upon notice, to call for any shortfall in the difference between the collateral and the securities at any time.

**(b) Margin requirements**

The margin requirements for a securities resale agreement are as follows:

- (i) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms, 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 <sup>1</sup>	Greater than 30 calendar days after regular settlement <sup>1</sup>
<i>Acceptable institution</i>	No margin <sup>2</sup>	
<i>Acceptable counterparty</i>	Market value deficiency <sup>2</sup>	Margin
<i>Regulated entity</i>	Market value deficiency <sup>2</sup>	Margin
Other	Margin	200% of margin (to a maximum of the <i>market value</i> of the underlying securities)
<sup>1</sup> 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. <sup>2</sup> Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 business days of the trade shall be margined.		

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

Transaction counterparty type	Margin required
<i>Acceptable institution</i>	No margin <sup>1</sup>
<i>Acceptable counterparty</i>	Market value deficiency <sup>1</sup>
<i>Regulated entity</i>	Market value deficiency <sup>1</sup>
Other	Margin
<sup>1</sup> Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 business days of the trade shall be margined.	

- 8. 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.

**FORM 1, PART II – SCHEDULE 1**  
**NOTES AND INSTRUCTIONS** [Continued]

9. 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*.
10. **Lines 2, 3, 6 and 7** - In the case of a cash loan receivable or a securities borrowing 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.
11. **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.
12. **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 an Acceptable Depository or a bank or trust company qualifying as either an *acceptable institution* or *acceptable counterparty*, only the amount of *market value* deficiency need be provided out of the 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 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.
14. **Lines 4, 8 and 12** - Arrangements other than those regarding agency agreements where an agent may be treated as equivalent to principal in Note 6(b) whereby 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 7

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Dealer Member Name)

**ANALYSIS OF OVERDRAFTS, LOANS, SECURITIES LOANED AND REPURCHASE AGREEMENTS**

	<b>AMOUNT OF LOAN PAYABLE OR CASH RECEIVED AS COLLATERAL C\$'000</b> [see note 3]	<b>MARKET VALUE OF SECURITIES RECEIVED AS COLLATERAL C\$'000</b> [see note 4]	<b>MARKET VALUE OF SECURITIES DELIVERED AS COLLATERAL OR LOANED C\$'000</b> [see note 4]	<b>REQUIRED TO MARGIN C\$'000</b>
1. Bank overdrafts	-----	N/A	N/A	Nil
<b>LOANS PAYABLE:</b>				
2. <i>Acceptable institutions</i>	-----	N/A	-----	Nil
3. <i>Acceptable counterparties</i>	-----	N/A	-----	-----
4. <i>Regulated entities</i>	-----	N/A	-----	-----
5. Others	-----	N/A	-----	-----
<b>SECURITIES LOANED:</b>				
6. <i>Acceptable institutions</i>	-----	-----	-----	Nil
7. <i>Acceptable counterparties</i>	-----	-----	-----	-----
8. <i>Regulated entities</i>	-----	-----	-----	-----
9. Others	-----	-----	-----	-----
<b>REPURCHASE AGREEMENTS:</b>				
10. <i>Acceptable institutions</i>	-----	N/A	-----	Nil
11. <i>Acceptable counterparties</i>	-----	N/A	-----	-----
12. <i>Regulated entities</i>	-----	N/A	-----	-----
13. Others	-----	N/A	-----	-----
14. <b>TOTAL</b> [Lines 1 through 13]	=====		=====	=====
	A-51			B-14

**FORM 1, PART II – SCHEDULE 7  
NOTES AND INSTRUCTIONS**

1. This schedule is to be completed for loan payable transactions, whereby the stated purpose of the transaction is to borrow cash. All security lending transactions and 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,
  - (a) "cash loans payable" are loan transactions where the purpose of the loan is for the Dealer Member to borrow cash and deliver securities as collateral to the counterparty;
  - (b) "excess collateral deficiency" is defined as:
    - (i) For cash loans 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 securities loan arrangements, 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.and
  - (c) "securities loan arrangements" are loan transactions 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. **Cash loans payable**

**(a) Written agreement requirements**

Any written agreement for a cash loan payable between the Dealer Member and a counterparty must include terms which provide:

- (i) For the rights of either party to retain or realize on securities held by it from the other party on default;
- (ii) For events of default;
- (iii) For the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party;
- (iv) Either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority; and
- (v) If set-off rights or security interests are created in securities provided as collateral by one party to another, that the securities are endorsed for transfer, where applicable, and free of any trading restrictions.

**(b) Margin requirements**

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

- (i) 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(a), the margin required shall be:
  - (A) Nil, where the counterparty to the transaction is an *acceptable institution* and the transaction has been confirmed with the *acceptable institution*, or
  - (B) 100% of the market value of the actual collateral provided to the transaction counterparty.
- (ii) Where a written agreement has been entered into that includes all of the required minimum terms in Note 5(a),

**FORM 1, PART II – SCHEDULE 7**  
**NOTES AND INSTRUCTIONS** [Continued]

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

<b>Transaction counterparty type</b>	<b>Margin required</b>
<i>Acceptable institution</i>	No margin <sup>1</sup>
<i>Acceptable counterparty</i>	Excess collateral deficiency <sup>1</sup>
<i>Regulated entity</i>	Excess collateral deficiency <sup>1</sup>
Other	Margin
<sup>1</sup> Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 business days of the trade shall be margined.	

**6. Securities loan arrangements**

**(a) Written agreement requirements**

Any written agreement for a securities loan arrangement between the Dealer Member and a counterparty must include terms which provide:

- (i) For the rights of either party to retain or realize on securities held by it from the other party on default;
- (ii) For events of default;
- (iii) For the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party;
- (iv) Either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority; and
- (v) If set-off rights or security interests are created in securities loaned or provided as collateral by one party to another, that the securities are endorsed for transfer, where applicable, and free of any trading restrictions.

**(b) Additional written agreement requirements for certain agency agreements**

**Agency agreements where agent may be treated as equivalent to principal**

Any written collateral management or custodial agreement involving a securities loan arrangement between the Dealer Member and a third party custodian, which is acting as an agent, 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, if all of the following additional terms [i.e. over and above those set out in Note 6(a)] 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 underlying principal borrower 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 loaned security which will be returned to the Dealer Member. If the loaned security cannot be purchased in the market, its equivalent value is returned to the Dealer Member. Any excess value on the realization on the loan collateral will be returned by the third party custodian agent to the underlying principal borrower; and
- (iii) the third party custodian agent must meet the definition of “financial intermediary” in relation to the Eligible Financial Contract General Rules (Bankruptcy and Insolvency Act).

**Agency agreements where agent must not be treated as equivalent to principal**

**FORM 1, PART II – SCHEDULE 7**  
**NOTES AND INSTRUCTIONS** [Continued]

Where these additional terms [(i),(ii) and (iii) immediately above] are not all present or the arrangement does not involve an agent that is acting as a third party custodian, the Dealer Member must look through the agent in the agency 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.

**(c) Margin requirements**

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

- (i) 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 6(a), the margin required shall be:
  - (A) Nil, where the counterparty to the transaction is an *acceptable institution* and the transaction has been confirmed with the *acceptable institution*, or
  - (B) 100% of the market value of the securities loaned to the transaction counterparty.
- (ii) Where a written agreement has been entered into that includes all of the required minimum terms in Note 6(a), for margin purposes:
  - (A) For principal arrangements, the counterparty is the principal in the arrangement,
  - (B) For agency arrangements, where a third party custodian agent is involved and all of the additional required minimum terms in Note 6(b) are present, the counterparty is the third party custodian,
  - (C) For agency arrangements, where all of the additional required minimum terms in Note 6(b) are not present or the arrangement does not involve an agent that is acting as a third party custodian, the counterparty is the underlying principal borrower,

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

<b>Transaction counterparty type</b>	<b>Margin required</b>
<i>Acceptable institution</i>	No margin <sup>1</sup>
<i>Acceptable counterparty</i>	Excess collateral deficiency <sup>1</sup>
<i>Regulated entity</i>	Excess collateral deficiency <sup>1</sup>
Other	Margin
<sup>1</sup> Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 business days of the trade shall be margined.	

**7. Securities repurchase agreements**

**(a) Written agreement requirements**

Any written agreement for a securities repurchase agreement between the Dealer Member and a counterparty must include terms which provide:

- (i) For the rights of either party to retain or realize on securities held by it from the other party on default,
- (ii) For events of default,
- (iii) For the treatment of the value of securities held by a non-defaulting party in excess of amounts which may be owed by a defaulting party,

**FORM 1, PART II – SCHEDULE 7**  
**NOTES AND INSTRUCTIONS** [Continued]

- (iv) Either for set-off or, in the case of secured loans of securities, continuous segregation of collateral and the requirement for the lender to perfect a security interest in collateral giving the highest priority,
- (v) If set-off rights or security interests are created in securities sold or loaned by one party to another, that the securities are endorsed for transfer, where applicable, and free of any trading restrictions; and
- (vi) For an acknowledgement by the parties that either has the right, upon notice, to call for any shortfall in the difference between the collateral and the securities at any time.

**(b) Margin requirements**

The margin requirements for a securities repurchase agreement are as follows:

- (i) Where a written agreement has not been entered into or the written agreement entered into does not include all of the required minimum terms, 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 <sup>1</sup>	Greater than calendar 30 days after regular settlement <sup>1</sup>
<i>Acceptable institution</i>	No margin <sup>2</sup>	
<i>Acceptable counterparty</i>	Market value deficiency <sup>2</sup>	Margin
<i>Regulated entity</i>	Market value deficiency <sup>2</sup>	Margin
Other	Margin	200% of margin (to a maximum of the <i>market value</i> of the underlying securities)
<sup>1</sup> 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. <sup>2</sup> Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 business days of the trade shall be margined.		

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

Transaction counterparty type	Margin required
<i>Acceptable institution</i>	No margin <sup>1</sup>
<i>Acceptable counterparty</i>	Market value deficiency <sup>1</sup>
<i>Regulated entity</i>	Market value deficiency <sup>1</sup>
Other	Margin
<sup>1</sup> Any transaction which has not been confirmed by an <i>acceptable institution</i> , <i>acceptable counterparty</i> or <i>regulated entity</i> within 15 business days of the trade shall be margined.	

- 8. 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.
- 9. 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

**FORM 1, PART II – SCHEDULE 7**  
**NOTES AND INSTRUCTIONS** [Continued]

representation has not been received, the pension fund which otherwise meets the *acceptable institution* criteria must be treated as an *acceptable counterparty*.

10. **Lines 3, 4, 7 and 8** - 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.
11. **Lines 11 and 12** - 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.
12. **Lines 5, 9 and 13** - 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 an Acceptable Depository or a bank or trust company qualifying as either an *acceptable institution* or *acceptable counterparty*, only the amount of *market value* deficiency need be provided out of the 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 2, 3 and 4** - 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.
14. **Lines 5, 9, and 13** - Arrangements other than those regarding agency agreements where an agent may be treated as equivalent to principal in Note 6(b) whereby 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 7A**

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Dealer Member Name)

**CASH AND SECURITIES BORROWING AND LENDING ARRANGEMENTS CONCENTRATION  
CHARGE**

		<b>CS'000</b>
1.	Sch. 1, Line 2 Market value deficiency amount relating to loans receivable from <i>acceptable counterparties</i> , net of legal offsets and margin already provided	-----
2.	Sch. 1, Line 3 Market value deficiency amount relating to loans receivable from <i>regulated entities</i> , net of legal offsets and margin already provided	-----
3.	Sch. 1, Line 6 Market value deficiency amount relating to securities borrowed from <i>acceptable counterparties</i> , net of legal offsets and margin already provided	-----
4.	Sch. 1, Line 7 Market value deficiency amount relating to securities borrowed from <i>regulated entities</i> , net of legal offsets and margin already provided	-----
5.	Sch. 7, Line 3 Market value deficiency amount relating to loans payable to <i>acceptable counterparties</i> , net of legal offsets and margin already provided	-----
6.	Sch. 7, Line 4 Market value deficiency amount relating to loans payable to <i>regulated entities</i> , net of legal offsets and margin already provided	-----
7.	Sch. 7, Line 7 Market value deficiency amount relating to securities lent to <i>acceptable counterparties</i> , net of legal offsets and margin already provided	-----
8.	Sch. 7, Line 8 Market value deficiency amount relating to securities lent to <i>regulated entities</i> , net of legal offsets and margin already provided	-----
9.	<b>TOTAL MARKET VALUE DEFICIENCY EXPOSURE WITH ACCEPTABLE COUNTERPARTIES AND REGULATED ENTITIES, NET OF LEGAL OFFSETS AND MARGIN ALREADY PROVIDED [Sum of Lines 1 to 6]</b>	=====
10.	<b>CONCENTRATION THRESHOLD – 100% OF NET ALLOWABLE ASSETS</b>	-----
11.	<b>CONCENTRATION CHARGE [Excess of Line 9 over Line 10, otherwise NIL]</b>	=====

B-21