



**PROPOSED AMENDMENTS TO IIROC DEALER MEMBER RULE 1200.3 AND NOTES TO STATEMENT D OF FORM 1
REGARDING FREE CREDIT CASH SEGREGATED IN TRUST FOR CLIENTS**

PLAIN LANGUAGE RULE BOOK VERSION OF THE PROPOSED AMENDMENTS TO DMR 1200.3

4384. Calculating usable free credit balances

- (1) A *Dealer Member* must not use in its business an amount of clients' *free credit balances* that totals more than the greater of:
 - (i) general free credit limit:
twelve times the *Dealer Member's early warning reserve* amount, or
 - (ii) margin lending adjusted free credit limit:
twenty times the *Dealer Member's early warning reserve* amount for margin lending purposes plus twelve times the remaining *early warning reserve* amount for all other purposes, where the remaining *early warning reserve* amount equals the *early warning reserve* amount minus 1/20th of the total settlement date client margin debit amount.
- (2) A *Dealer Member* must segregate clients' *free credit balances* in excess of the amount calculated in subsection 4384(1) either:
 - (i) in cash held in trust for clients in a separate account with an *acceptable institution*, and this trust property must be clearly identified as such at the acceptable institution or
 - (ii) in Canadian bank paper with an original maturity of one year or less and bonds, debentures, treasury bills, and other securities with a maturity of one year or less of, or guaranteed by, the Government of Canada, a province of Canada, the United Kingdom, the United States, or any other national foreign government that is on the List of Basel Accord Countries (provided such other foreign government securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively).

APPENDIX C