

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
AMENDMENTS TO DEALER MEMBER RULES REGARDING CONVERSION AND RECONVERSION
OFFSET STRATEGIES

Dealer Member Rule 100.9(g)(v) – Amendment #1

(v) Conversion or long trip-o combination

Where, in the case of equity or participation unit options, a position in an underlying interest is carried long in a customer's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum margin required shall be:

- (A) 100% of the market value of the long put options; minus
- (B) 100% of the market value of the short call options; plus
- (C) the difference, plus or minus, between the market value of the qualifying basket (or participation units) and the aggregate exercise value of the long put options, ~~where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options~~ or the short call options, whichever is lower.

Dealer Member Rule 100.9(g)(vi) – Amendment #2

(vi) Reconversion or short trip-o combination

Where, in the case of equity or participation unit options, a position in an underlying interest is carried short in a customer's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum margin required shall be:

- (A) 100% of the market value of the long call options; minus
- (B) 100% of the market value of the short put options; plus
- (C) the difference, plus or minus, between the aggregate exercise value of the long call options or short put options, whichever is higher, and the market value of the qualifying basket (or participation units), ~~where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.~~

Dealer Member Rule 100.9 (h)(ii)(E) – Amendment #3

(E) Conversion or long trip-o combinations

Where a customer account contains one of the following option related combinations:

- long a qualifying basket of index securities, long an equivalent number of index put options and short an equivalent number of index call options (Note: Subject to incremental margin where qualifying basket is imperfect); or

- long index participation units, long an equivalent number of index put options and short an equivalent number of index call options (Note: Subject to tracking error minimum margin); or
- long a qualifying basket of index securities, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options (Note: Subject to incremental margin where qualifying basket is imperfect and subject to tracking error minimum margin); or
- long index participation units, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options;

the minimum margin required shall be the sum of:

- (I) where applicable, the calculated incremental margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;

and

- (II) the greater of:

- (a) the sum of:

- (i) 100% of the market value of the long put options; minus
- (ii) 100% of the market value of the short call options; plus
- (iii) the difference, plus or minus, between the market value of the qualifying basket (or participation units) and the aggregate exercise value of the long put options, ~~where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the~~ or short call options, whichever is lower;

and

- (b) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

Dealer Member Rule 100.9 (h)(ii)(F) – Amendment #4

- (F) Reconversion or short trip combinations

Where a customer account contains one of the following option related combinations:

- short a qualifying basket of index securities, short an equivalent number of index put options and long an equivalent number of index call options (Note: Subject to incremental margin where qualifying basket is imperfect); or
- short index participation units, short an equivalent number of index put options and long an equivalent number of index call options (Note: Subject to tracking error minimum margin); or
- short a qualifying basket of index securities, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options;

unit call options (Note: Subject to incremental margin where qualifying basket is imperfect and subject to tracking error minimum margin); or

- short index participation units, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options;

the minimum margin required shall be the sum of:

- (I) where applicable, the calculated incremental margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;

and

- (II) the greater of:

- (a) the sum of:

- (i) 100% of the market value of the long call options; minus
 - (ii) 100% of the market value of the short put options; plus
 - (iii) the difference, plus or minus, between the aggregate exercise value of the long call options or short put options, whichever is higher, and the market value of the qualifying basket (or participation units); ~~where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options;~~

and

- (b) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

Dealer Member Rule 100.9 (h)(v)(E) – Amendment #5

- (E) Conversion or long tripo combination involving index options or index participation unit options and index futures contracts

Where a customer account contains one of the following tripo combinations:

- long index futures contracts and long an equivalent number of index put options and short an equivalent number of index call options with the same expiry date (Note: Subject to tracking error minimum margin); or
- long index futures contracts and long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options with the same expiry date (Note: Subject to tracking error minimum margin);

the minimum margin required shall be:

- (I) ~~the greater of~~ the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options, whichever is lower, plus
- (II) the aggregate net market value of the put and call options;

but in no case may the margin required be less than the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

Dealer Member Rule 100.9 (h)(v)(F) – Amendment #6

- (F) Reconversion or short trip combination involving index options or index participation unit options and index futures contracts

Where a customer account contains one of the following trip combinations:

- short index futures contracts and long an equivalent number of index call options and short an equivalent number of index put options with the same expiry date (Note: Subject to tracking error minimum margin); or
- short index futures contracts and long an equivalent number of index participation unit call options and short an equivalent number of index participation unit put options with the same expiry date (Note: Subject to tracking error minimum margin);

the minimum margin required shall be:

- (I) ~~the greater of~~ the difference, plus or minus, between the aggregate exercise value of the long call options or short put options, whichever is higher, and the daily settlement value of the short futures contracts, plus
- (II) the aggregate net market value of the call and put options;

but in no case may the margin required be less than the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

Dealer Member Rule 100.10 (g)(v) – Amendment #7

- (v) Conversion or long trip combination

Where, in the case of equity or participation unit options, a position in an underlying interest is carried long in a Dealer Member's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required shall be:

- (A) 100% of the market value of the long put options; minus
- (B) 100% of the market value of the short call options; plus
- (C) the difference, plus or minus, between the market value of the qualifying basket (or participation units) and the aggregate exercise value of the long put options, ~~where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options~~ or the short call options, whichever is lower.

Dealer Member Rule 100.10 (g)(vi) – Amendment #8

- (vi) Reconversion or short trip combination

Where, in the case of equity or participation unit options, a position in an underlying interest is carried short in a Dealer Member's account and the account is also long an

equivalent position in call options and short an equivalent position in put options, the minimum capital required shall be:

- (A) 100% of the market value of the long call options; minus
- (B) 100% of the market value of the short put options; plus
- (C) the difference, plus or minus, between the aggregate exercise value of the long call options or short put options, whichever is higher, and the market value of the qualifying basket (or participation units), ~~where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.~~

Dealer Member Rule 100.10 (h)(ii)(E) – Amendment #9

(E) Conversion or long trip combinations

Where a Dealer Member account contains one of the following option related combinations:

- long a qualifying basket of index securities, long an equivalent number of index put options and short an equivalent number of index call options (Note: Subject to incremental margin where qualifying basket is imperfect); or
- long index participation units, long an equivalent number of index put options and short an equivalent number of index call options (Note: Subject to tracking error minimum margin); or
- long a qualifying basket of index securities, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options (Note: Subject to incremental margin where qualifying basket is imperfect and subject to tracking error minimum margin); or
- long index participation units, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options;

the minimum capital required shall be the sum of:

- (I) where applicable, the calculated incremental margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket.

and

- (II) the greater of:

- (a) the sum of:

- (i) 100% of the market value of the long put options; minus
- (ii) 100% of the market value of the short call options; plus
- (iii) the difference, plus or minus, between the market value of the qualifying basket (or participation units) and the aggregate exercise value of the long put options, ~~where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the~~ or short call options, whichever is lower;

and

- (b) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

Dealer Member Rule 100.10 (h)(ii)(F) – Amendment #10

(F) Reconversion or short trip combinations

Where a Dealer Member account contains one of the following option related combinations:

- short a qualifying basket of index securities, short an equivalent number of index put options and long an equivalent number of index call options (Note: Subject to incremental margin where qualifying basket is imperfect); or
- short index participation units, short an equivalent number of index put options and long an equivalent number of index call options (Note: Subject to tracking error minimum margin); or
- short a qualifying basket of index securities, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options (Note: Subject to incremental margin where qualifying basket is imperfect and subject to tracking error minimum margin); or
- short index participation units, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options;

the minimum capital required shall be the sum of:

- (I) where applicable, the calculated incremental margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;

and

- (II) the greater of:

- (a) the sum of:

- (i) 100% of the market value of the long call options; minus
- (ii) 100% of the market value of the short put options; plus
- (iii) the difference, plus or minus, between the aggregate exercise value of the long call options or short put options, whichever is higher and the market value of the qualifying basket (or participation units); ~~where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.~~

and

- (b) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

Dealer Member Rule 100.10 (h)(v)(E) – Amendment #11

- (E) Conversion or long tripo combination involving index options or index participation unit options and index futures contracts

Where a Dealer Member account contains one of the following tripo combinations:

- long index futures contracts and long an equivalent number of index put options and short an equivalent number of index call options with the same expiry date (Note: Subject to tracking error minimum margin); or
- long index futures contracts and long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options with the same expiry date (Note: Subject to tracking error minimum margin);

the minimum capital required shall be:

- (I) the ~~greater of the~~ difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options, whichever is lower, plus
- (II) the aggregate net market value of the put and call options;

but in no case may the capital required be less than the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

Dealer Member Rule 100.10 (h)(v)(F) – Amendment #12

- (F) Reconversion or short tripo combination involving index options or index participation unit options and index futures contracts

Where a Dealer Member account contains one of the following tripo combinations:

- short index futures contracts and long an equivalent number of index call options and short an equivalent number of index put options with the same expiry date (Note: Subject to tracking error minimum margin); or
- short index futures contracts and long an equivalent number of index participation unit call options and short an equivalent number of index participation unit put options with the same expiry date (Note: Subject to tracking error minimum margin);

the minimum capital required shall be:

- (I) the ~~greater of the~~ difference, plus or minus, between the aggregate exercise value of the long call options or short put options, whichever is higher, and the daily settlement value of the short futures contracts, plus
- (II) the aggregate net market value of the call and put options;

but in no case may the capital required be less than the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.