

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
AMENDMENTS TO DEALER MEMBER RULE 1200 AND TO FORM 1 RELATING TO THE CLIENT FREE CREDIT
CASH USAGE LIMIT AND CLIENT FREE CREDIT SEGREGATION REQUIREMENTS**

**BLACK-LINE COPY OF AMENDMENTS (HIGHLIGHTING NON-MATERIAL CHANGES) COMPARED TO
AMENDMENTS DETAILED IN IIROC RULES NOTICE 16-0090**

1. Dealer Member Rule 1200.3 is repealed and replaced by the following:

“1200.3. No Dealer Member shall use in the conduct of its business clients' free credit balances in excess of the greater of the following amounts:

- (a) General free credit limit:

Twelve times the early warning reserve amount of the Dealer Member;
or

- (b) Margin lending adjusted free credit limit:

Twenty times the early warning reserve amount of the Dealer Member 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.

Each Dealer Member shall hold an amount at least equal to the amount of clients' free credit balances in excess of the foregoing either:

- (c) in cash segregated in trust for clients in a separate account or accounts with an acceptable institution; or
- (d) segregated and separate and apart from the Dealer Member's property 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 of America and any other national foreign government (provided such other foreign government is a member of the Basel Accord and that the securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively).”

2. Dealer Member Rule 1200.4 is amended by adding the following words immediately following the words “at least weekly”:

“, but more frequently if required,”.

Appendix B

3. Dealer Member Rule 1200.6 is amended by repealing and replacing the text “shall expeditiously take the most appropriate action to rectify the deficiency.” with the text “must correct the segregation deficiency within 5 business days following the determination of the deficiency.”
4. Schedule 2, Notes and instructions, Line 9 of Form 1 is repealed and replaced by the following:

“Line 9 - The securities to be included are Canadian bank paper with an original term of 1 year or less and bonds, debentures, treasury bills and other securities with a term of 1 year or less, of or guaranteed by the Government of Canada or a Province of Canada, the United Kingdom, the United States of America and any other national foreign government (provided such other foreign government is a member of the Basel Accord and that the securities are currently rated Aaa or AAA by Moody’s Investors Service, Inc. or Standard & Poor’s Corporation, respectively), which are segregated and held separate and apart from the Dealer Member’s property.”
5. Schedule 2, Line 9 of Form 1, cross-reference to Statement D is amended by repealing and replacing the text “D-8” with the text “D-Sec. D-2”.
6. Schedule 4, Line 5 of Form 1, cross-reference to Statement D is amended by repealing and replacing the text “D-4” with the text “D-Sec. A-2”.
7. Statement D of Form 1 is repealed and replaced by the attached.

FORM 1, PART I – STATEMENT D

(Dealer Member Name)

STATEMENT OF FREE CREDIT SEGREGATION AMOUNT

at _____

REFERENCE	NOTES	(CURRENT YEAR) C\$'000
A. AMOUNT REQUIRED TO SEGREGATE BASED ON GENERAL FREE CREDIT LIMIT		
General client free credit limit		
1. C-13	Early warning reserve of \$_____ multiplied by 12 [Report NIL if amount is negative]	_____
Less client free credit balances:		
2. Sch.4	Dealer Member's own [see note]	_____
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; see note]	_____
B. AMOUNT REQUIRED TO SEGREGATE BASED ON MARGIN LENDING ADJUSTED CLIENT FREE CREDIT LIMIT		
Client free credit limit for margin lending purposes		
1. C-13	Early warning reserve of \$_____ multiplied by 20 [Report NIL if amount is negative]	_____
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. C-13	Early warning reserve [Report NIL if amount is negative]	_____
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	_____

FORM 1, PART I – STATEMENT D

	limit [Section B, Line 12]		
3.	AMOUNT REQUIRED TO SEGREGATE ~~BASED ON MARGIN LENDING~~ ~~ADJUSTED CLIENT FREE CREDIT LIMIT~~		_____
	[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.	A-3 Client funds held in trust in an account with an <i>acceptable institution</i> [see note]	_____	_____
2.	Sch.2 Market value of securities owned and in segregation [see note]	_____	_____
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, see note]		_____

NOTES:

General – 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.

Section A, Lines 2 and 3 - Free credit balances in RRSP and other similar accounts should not be included. Refer to Schedule 4 - Notes and Instructions for discussion of trade versus settlement date reporting of free credit balances. For purposes of this statement, a free credit is:

- (a) For cash and margin accounts - the credit balance less an amount equal to the aggregate of the *market value* of short positions and regulatory margin on those shorts.
- (b) For futures accounts - 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.

Section A, Line 5 - If Nil, no further calculation on this Statement need be done.

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.

Section D, Line 1 - The trust must be an obligation binding the Dealer Member (the trustee) to deal with the free credits over which it has control (the trust property), for the benefit of the client (the beneficiary). The trust property must be clearly identified as such even if residing with an *acceptable institution*.

FUNDS HELD IN TRUST FOR RRSP AND OTHER SIMILAR ACCOUNTS ARE NOT TO BE INCLUDED IN THIS CALCULATION.

Section D, Line 2 - The securities to be included are Canadian bank paper with an original term of 1 year or less and bonds, debentures, treasury bills and other securities with a term of 1 year or less, of or guaranteed by the Government of Canada or a Province of Canada, the United Kingdom, the United States of America and any other national foreign government (provided such other foreign government is a member of the Basel Accord and that the securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively) which are segregated and held separate and apart from the Dealer Member's property.

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 as well as the date of correction.