

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
AMENDMENTS TO DEALER MEMBER RULES TO PERMIT PARTIAL OFFSETS FOR OFFSET
STRATEGIES INVOLVING INTEREST RATE SWAPS AND TOTAL PERFORMANCE SWAPS**

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Dealer Member Rule Sections 100.4F(a) and (d)

100.4F. Swap Positions Offset

For the purposes of this regulation, a “**fixed interest rate**” is an interest rate, which is not reset at least every 90 days, a “**floating interest rate**” is an interest rate, which is not a fixed interest rate and “**realization clause**” is an optional clause within a total performance swap agreement which allows the Dealer Member to close out the swap agreement at the realization price (either the buy-in or sell-out price) of the security position involved in the offset.

(a) Interest Rate Swap versus Interest Rate Swap Offset

Where a Dealer Member

- (i) is a party to an interest rate swap agreement [or agreements](#) requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed (or floating) interest rate amounts calculated with reference to a notional amount;

and

- (ii) is a party to another offsetting interest rate swap agreement [or agreements](#) entitling it to receive (or requiring it to pay) a fixed (or floating) interest rate amount calculated with reference to the same [notional amount or same partial](#) notional amount, denominated in the same currency and is within the same maturity band for margin purposes as the interest rate swap referred to in (i);

the margin required in respect of the positions in (i) and (ii) may be netted, provided that margin on fixed interest rate component payment (or receipt) positions may only be offset against margin on fixed interest rate component receipt (or payment) positions, and margin on floating interest rate component payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions.

(d) Total Performance Swap versus Total Performance Swap Offset

Where a Dealer Member:

- (i) is a party to a total performance swap agreement [or agreements](#) requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount;

and

- (ii) is a party to another total performance swap agreement [or agreements](#) entitling it to receive (or requiring it to pay) amounts calculated based on the performance of the same underlying security or basket of securities, with reference to the same [notional amount or same partial](#) notional amount and denominated in the same currency;

the margin required in respect of the positions in (i) and (ii) may be netted, provided that margin on performance component payment (or receipt) positions may only be offset against margin on performance component receipt (or payment) positions, and margin on floating interest rate component payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions.