

**13.1.8 Request for Comments – Amendments to IDA Form 1, Notes and Instructions to Statement A Regarding Foreign Currency Cash Balances Held in Registered Retirement Savings Plan Accounts**

**INVESTMENT DEALERS ASSOCIATION OF CANADA –  
FORM 1, NOTES AND INSTRUCTIONS TO STATEMENT A –  
FOREIGN CURRENCY CASH BALANCES HELD IN  
REGISTERED RETIREMENT SAVINGS PLAN ACCOUNTS**

**I OVERVIEW**

**A Current Rules**

The current IDA requirements classify RRSP account cash balances as allowable assets, provided the balances are held by a trustee that qualifies as an acceptable institution and are insured by either the Canadian Deposit Insurance Corporation (CDIC) or the Quebec Deposit Insurance Corporation (QDIC). As deposit insurance coverage for foreign currency cash balances is not available from CDIC or QDIC, foreign currency cash balances held in RRSP accounts are currently treated as non-allowable assets.

**B The Issue**

The effect of the current rule is that foreign currency cash balances held in RRSP accounts result in a capital charge to Member firms. This effect is both inappropriate and inconsistent with the treatment of other assets held for the dealer by acceptable institutions. We are aware of no other instances in the IDA capital formula where, in order for a dealer to treat an asset held for it by an acceptable institution as an allowable asset, the asset must be eligible for either CDIC or QDIC (now Autorité des marchés financiers (AMF)) deposit insurance coverage.

It has been concluded that where foreign currency cash balances are held at an acceptable institution that is a participating organization in either the CDIC or the AMF it is appropriate to treat these balances as allowable assets. The current IDA requirements therefore need to be amended to accommodate this treatment.

**C Objective**

The objective of this proposal is to permit the classification of foreign currency cash balances held at an acceptable institution that is a participating organization in either CDIC or AMF (with respect to deposit insurance) as allowable assets.

**D Effect of Proposed Rules**

It is believed that the proposed amendments set out in Attachment #1 will have no impact in terms of capital market structure, members versus non-member level playing field, competition generally, costs of compliance and conformity with other rules.

**II DETAILED ANALYSIS**

**A Present Rules, Relevant History and Proposed Policy**

A detailed analysis was considered unnecessary.

**B Issues and Alternatives Considered**

No other alternatives were considered.

**C Comparison with Similar Provisions**

A comparison with similar regulations in the United Kingdom and the United States was not considered necessary.

**D Systems Impact of Rule**

It is not believed that there is any system impact on Members or the public by implementing the proposed rule. The Bourse de Montréal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the IDA and the Bourse de Montréal have received approval to do so from their respective recognizing regulators.

**E Best Interests of the Capital Markets**

The Board has determined that the rule is not detrimental to the best interests of the capital markets.

**F Public Interest Objective**

According to subparagraph 14(c) of the IDA's Order of Recognition as a self regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of this proposal. The purpose of the proposal is to:

- Standardize industry practices where necessary or desirable for investor protection.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

The proposal is believed to be public interest as it is intended to eliminate an unnecessary regulatory burden on both Members and the investing public.

**III COMMENTARY**

**A Filing in Other Jurisdictions**

These proposed amendments will be filed for approval in Alberta, British Columbia, Ontario and Quebec and will be filed for information in Manitoba, Nova Scotia and Saskatchewan.

**B Effectiveness**

As indicated in the previous sections, the objective of the proposal is intended to eliminate an unnecessary regulatory burden on both Members and the investing public. It is believed that the proposal will be effective for this purpose.

**C Process**

These proposed amendments have been developed and recommended for approval by the FAS Capital Formula Subcommittee and have been recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

**IV SOURCES**

References:

- Statement A Form 1, Notes and Instructions.

**V OSC REQUIREMENT TO PUBLISH FOR COMMENT**

The IDA is required to publish for comment the accompanying amendments.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Arif Mian, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

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**INVESTMENT DEALERS ASSOCIATION OF CANADA**

**Form 1, Notes and Instructions To Statement A – Foreign Currency Cash Balances Held In Registered Retirement Savings Plan Accounts  
Board Resolution  
Attachment #1**

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. The Notes and Instructions to Line 2 of Statement A of Form 1 are amended as follows:
  - (a) Adding the following sentence “and such accounts must be insured by the Canada Deposit Insurance Corporation (CDIC) or Autorité des marchés financiers (AMF) to the full extent insurance is available.” immediately following the words “Acceptable Institution”;
  - (b) Deleting the word “The” immediately preceding the word “RRSP”;
  - (c) Replacing the word “or” by the word “and” immediately preceding the words “other similar balances”; and
  - (d) Replacing the words “must be insured by the Canada Deposit Insurance Corporation (CDIC) or Quebec Deposit Insurance Corporation (QDIC).” by the words “, but for which CDIC or AMF insurance is not available such as foreign currency accounts, can be classified as allowable assets.”

PASSED AND ENACTED BY THE Board of Directors this 26th day of June 2005, to be effective on a date to be determined by Association staff.

**INVESTMENT DEALERS ASSOCIATION OF CANADA**

**Form 1, Notes and Instructions To Statement A – Foreign Currency Cash Balances  
Held In Registered Retirement Savings Plan Accounts  
Blackline Copy  
Attachment #2**

“Line 2 – The trustee(s) for RRSP or other similar accounts must qualify as an Acceptable Institution and such accounts must be insured by the Canada Deposit Insurance Corporation (CDIC) or Autorité des marchés financiers (AMF) to the full extent insurance is available. If not, then the Member must report 100% of the balance held in trust as non-allowable assets on line 28. The RRSP or other similar balances held at such trustee(s), but for which CDIC or AMF insurance is not available such as foreign currency accounts, can be classified as allowable assets. ~~must be insured by the Canada Deposit Insurance Corporation (CDIC) or Quebec Deposit Insurance Corporation (QDIC).~~ The name(s) of RRSP trustee(s) used by the Member must also be provided on Schedule 4.”