

IIROC NOTICE

Rules Notice Notice of Approval/Implementation

Dealer Member Rules

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15-0249

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Amendments to Dealer Member Rule 100.10(k) Optional use of TIMS or SPAN

Overview and objective of the amendments

The Board of Directors of the Investment Industry Regulatory Organization of Canada (“IIROC”) have approved for implementation the attached amendments to Dealer Member Rule 100.10(k) regarding the optional use of TIMS or SPAN for margining Dealer Member firm account positions constituted exclusively of positions in derivatives at the Bourse de Montréal (the “Bourse”). The amendments are effective November 30, 2015.

The primary objective of the amendments is to harmonize and ensure consistency with similar, related changes to rules at the Bourse and the Canadian Derivatives Clearing Corporation (“CDCC”), which are intended to address procyclicality of margin.



Summary of the amendments

The amendments will harmonize Dealer Member Rule 100.10(k) with the related Bourse and CDCC amendments by:

- deleting the definition of the specific margin interval elements, which will no longer be used by CDCC;
- deleting the requirement that the Bourse must approve all changes to the assumptions used by CDCC in determining capital requirements prior to implementation;
- adding IIROC's right to restrict the application of the rule if we judge its use inappropriate for Dealer Member capital requirements; and
- deleting all references to the TIMS methodology, because it is no longer used by CDCC.

Relevant history of the amendments

The amendments were published for comment in IIROC Notice [15-0157](#) and IIROC received one public comment letter, which strongly supported the amendments. In addition, the commenter indicated further support for extending the use of SPAN margining to client accounts. We thank the commenter for their letter and we will take their request into consideration for any future policy amendment initiatives in this area.



**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
AMENDMENTS TO DEALER MEMBER RULE 100.10(K) OPTIONAL USE OF TIMS OR SPAN**

BLACK-LINE COPY OF THE AMENDMENTS

1. Dealer Member Rule 100.10(k):

(k) Optional use of ~~TIMS~~ or SPAN

With respect to a Dealer Member firm account constituted exclusively of positions in derivatives listed at the Bourse de Montréal, the capital required may be the one calculated, ~~as the case may be,~~ by the Standard Portfolio Analysis (“SPAN”) methodology ~~or by the Theoretical Intermarket Margin System (“TIMS”) methodology,~~ using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation. ~~All changes to the assumptions used by the Canadian Derivatives Clearing Corporation shall be approved by the Bourse de Montréal prior to implementation to ensure that the continued use of the SPAN and TIMS methodologies for regulatory purposes is appropriate.~~

~~The selected methodology (either SPAN or TIMS) must be used consistently and cannot be changed without the prior consent of the Bourse de Montréal.~~ If the Dealer Member firm selects the SPAN methodology ~~or the TIMS methodology,~~ the capital requirements calculated under ~~those methodologies~~ this methodology will supersede the requirements stipulated in Rule 100.

~~For the purpose of the present article, “margin interval” means the product of the three following elements:~~

- ~~(i) — the maximum standard deviation of percentage fluctuations in daily settlement values over the most recent 20, 90 and 260 business days; multiplied by~~
- ~~(ii) — three (for a 99% confidence interval); and multiplied by~~
- ~~(iii) — the square root of 2 (for two days coverage)~~

The Corporation may restrict the application of this Rule 100.10(k), if it considers continued use of the SPAN methodology to be inappropriate for Dealer Member capital requirements.