

# IIROC NOTICE

## **Rules Notice Notice of Approval/Implementation**

Dealer Member Rules

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*Contact:*

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**17-0133**  
**June 29, 2017**

## **Amendments to facilitate the investment industry's move to T+2 settlement**

The applicable securities regulatory authorities have approved amendments to IIROC's Universal Market Integrity Rules (**UMIR**), Dealer Member Rules (**DMR**) and Form 1 (collectively, the **Amendments**) regarding the investment industry's move from a trade date plus three business days (**T+3**) settlement cycle to a trade date plus two business days (**T+2**) settlement cycle.

The Amendments were published for comment on July 28, 2016 in IIROC Rules Notice [16-0177](#) - *Amendments to facilitate the investment industry's move to T+2 settlement (Notice 16-0177)*. All relevant background information, including the objectives of the amendments, is set out in Notice [16-0177](#).

### **Comments Received**

We received one [comment letter](#) in response to Notice [16-0177](#). Our response to this comment letter is provided in Appendix D.



## **Non-material revisions to the Amendments**

We have made the following non-material revisions to the Amendments that were previously published in Notice [16-0177](#):

- (1) In DMR 800.33, the expression “prior to” was changed to “before” for purposes of plain language.
- (2) In DMR 800.34, the expression “prior to” was changed to “before” for purposes of plain language.
- (3) In DMR 800.47, the expression “the first trading day before the anticipated date of issue” was changed to “the trading day before the anticipated date of issue” for purposes of plain language.

A black-line comparison of the Amendments to show the non-material revisions to the previously published amendments is provided in Appendix E.

## **Non-material revisions to the proposed plain language rules**

We have made non-material revisions to the proposed plain language version of the Amendments that were previously published in Notice [16-0177](#) in order to reflect (1) the above non-material revisions, where applicable, and (2) the most recently published proposed plain language rules<sup>1</sup>.

A black-line comparison of the proposed plain language version of the Amendments to show the non-material revisions to the previously published proposed plain language rules<sup>2</sup> is provided in Appendix F.

## **Appendices**

Attached are the Amendments and accompanying appendices.

Appendix A - Black-line comparison of the Amendments to current rules and Form 1

Appendix B - Clean copy of the Amendments

Appendix C - Black-line comparison of the proposed plain language version of the Amendments to the most recently published proposed plain language rules

Appendix D - Summary of comments received and IIROC response

Appendix E - Black-line comparison of the Amendments to show the non-material revisions to the previously published amendments

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<sup>1</sup> See Notice [17-0054](#), Re-publication of Proposed IIROC Dealer Member Plain Language Rule Book

<sup>2</sup> See Notice [16-0052](#), Re-Publication of Proposed IIROC Dealer Member Plain Language Rule Book



Appendix F - Black-line comparison of the proposed plain language version of the Amendments to show the non-material revisions to the previously published proposed plain language rules.

### **Implementation**

The Amendments are being implemented to ensure that IIROC's requirements support the investment industry's move to T+2 settlement at the same time as the U.S. The Amendments will be effective on September 5, 2017. In the event that there is a delay in the implementation of T+2 settlement in the U.S., we will also delay our implementation of the Amendments and provide a revised implementation timeline through a Notice.

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**  
**AMENDMENTS TO FACILITATE THE INVESTMENT INDUSTRY'S MOVE TO T+2 SETTLEMENT**  
**BLACK-LINE COMPARISON OF AMENDMENTS TO CURRENT RULES AND FORM 1**

1. The Universal Market Integrity Rules, Dealer Member Rules, and Form 1 are amended as shown by the following black-line changes:

**Proposed Rule – Item #1**

Universal Market Integrity Rules - Rules & Policies

Part 1 - Definitions and Interpretation UMIR 1.1-30 (April 11, 2016)

“**Special Terms Order**” means an order for the purchase or sale of a security:

- (a) for less than a standard trading unit;
- (b) the execution of which is subject to a condition other than as:
  - (i) to price,
  - (ii) to the date of settlement; or
  - (iii) imposed by the marketplace on which the order is entered as a condition for the entry or execution of the order; or
- (c) that on execution would be settled on a date other than:
  - (i) the ~~third~~second business day following the date of the trade, or
  - (ii) any settlement date specified in a special rule or direction referred to in subsection (2) of Rule 6.1 that is issued by an Exchange or a QTRS,

but does not include an order that is a Basis Order, Call Market Order, Closing Price Order, Market-on-Close Order, Opening Order or Volume-Weighted Average Price Order.”

**Proposed Rule - Items #2 and #3**

Dealer Member Rules 100.2(d)(ii)(A) and (B)(1)-(3)

**“(ii) Foreign Exchange Margin Requirement**

The foreign exchange margin requirement for foreign exchange positions shall be the aggregate of the spot risk margin requirement and the term risk margin requirement calculated based on the spot risk margin rate and the term risk margin rate, respectively, specified in Rule 100.2(d)(i)(A).

(A) Spot Risk Margin Requirement

- (1) The spot risk margin requirement shall apply to all monetary assets and liabilities regardless of term to maturity.
- (2) The spot risk margin requirement shall be calculated as the product of the net monetary position and the spot risk margin rate.
- (3) Monetary assets and liabilities will be considered to be spot positions unless they have a term to maturity of more than ~~3~~2 business days.

## Appendix A

- (4) The spot risk margin requirement shall be converted to Canadian dollars at the then current spot exchange rate.
- (B) Term Risk Margin Requirement
- (1) The term risk margin requirement shall apply to all monetary assets and liabilities which have a term to maturity of more than ~~3~~2 business days, where the term to maturity is defined as the amount of time to when the claim to the monetary asset or the obligation to satisfy monetary liability expires.
- (2) The term risk margin requirement is calculated as the product of the market value of the monetary asset or liability, the weighting factor and the term risk margin rate. The weighting factor of a monetary asset or liability with a term to maturity of 2 years or less shall be the number of days to maturity of the monetary asset or liability divided by 365 days, provided that if the term to maturity is ~~3-calendar~~2 business days or less the weighting factor shall be zero.
- (3) The term risk margin rate for an unhedged foreign exchange position shall not exceed the following rates:

	Currency Group			
	1	2	3	4
Maximum Term Risk Margin Rate	4.0%	7.0%	10.0%	25.0%

”

### Proposed Rule - Item #4

Dealer Member Rules 100.19(a) and (b)

#### “100.19. When Issued Trading of New and Additional Issues

##### (a) Margin for Sales

###### (i) Short positions

Margin for short positions resulting from short sales of a security traded on a when issued basis shall be calculated on the market value of the securities sold as required by the relevant provisions of Rule 100.2(f)(i) relating to short positions. Margin shall be posted on the ~~third~~second settlement day after the trade of the short sale.

###### (ii) Hedged Positions ~~Resulting From~~resulting from the Sale on a When Issued Basis of a Security Previously Purchased on a When Issued Basis

## Appendix A

When a person who has purchased a security to be issued pursuant to prospectus subsequently sells such security on a when issued basis, margin shall be calculated on the market value of the security purchased as required by the relevant provisions for long positions in Rule 100.2(f)(i) and shall be posted on the ~~third~~second settlement day after the sale.

### **(iii) Sales on a When Issued Basis for Settlement in the Regular Market**

If a person who is deemed to own a security posted for trading on a when issued basis subsequently sells such security in the regular market and the trade occurs prior to the issuance or distribution of such security, margin shall be calculated on the market value of the securities sold as required by the relevant provisions in Rule 100.2(f)(i) relating to margin for short positions. Margin shall be posted ~~three~~on the second settlement ~~days~~day after the trade date.

### **(b) Purchases of When Issued Securities**

Margin for purchases of securities on a when issued basis that have not been sold subsequently on a when issued basis shall be calculated as required by the relevant provisions in Rule 100.2(f)(i) relating to long positions. Margin shall be posted on the later of ~~three~~the second settlement ~~days~~day after the trade date or the date of the issuance or distribution of the security.”

## **Proposed Rule - Item #5**

Dealer Member Rule 200.2(l)(iv)

“(iv) In the case of trades in mortgage-backed securities, and subject to the proviso below:

- (A) The original principal amount of the trade;
- (B) The description of the security (including interest rate and maturity date);
- (C) The remaining principal amount (RPA) factor;
- (D) The purchase/sale price per \$100 of original principal amount;
- (E) The accrued interest;
- (F) The total settlement amount; and
- (G) The settlement date

provided that in the case of trades entered into from the ~~third~~second clearing day before month end to the ~~fourth~~fifth clearing day of the following month, inclusive, a preliminary confirmation shall be issued showing the trade date and the information in sub-clauses

200.2(l)(iv)(A), (B), (D) and (G) and indicating that the information in sub-clauses 200.2(l)(iv)(C), (E) and (F) cannot yet be determined and that a final confirmation will be issued as soon as such information is available. After the remaining principal amount factor for the security is available from the central payor and transfer agent, a final confirmation shall be issued including all of the information required above.

And”

**Proposed Rule - Items #6 and #7**

Dealer Member Rule 800.27

“800.27. All transactions are to be consummated upon the following regular delivery terms unless at the time each individual transaction takes place alternative terms are agreed upon and confirmed in writing:

- (a) In the case of Government of Canada Treasury Bills regular delivery shall be for the same day as the transaction takes place;
- (b) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds except Treasury Bills) having an unexpired term of three years or less to maturity (or to the earliest call date where a transaction is completed at a premium) regular delivery shall involve the stopping of accrued interest on the second clearing day after the transaction takes place;
- (c) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity of longer than three years (where such a bond is traded at a premium the earliest call date shall be treated as the maturity date) and all provincial, municipal, corporation and other bonds or debentures, stock, or other certificates of indebtedness including (subject to clause (f)) mortgage-backed securities, regular delivery shall involve the stopping of accrued interest, where applicable, on the ~~third~~second clearing day after the transaction takes place;
- (d) Nothing herein contained shall in any way interfere with the common practice of dealing in new issues during the period of original distribution on an "accrued interest to delivery" basis with the exception that regular delivery Rules will come into effect the appropriate number of clearing days prior to the new issue securities being first available for physical delivery;

Where a new issue delivery is made against payment outside of the points fixed for the initial syndicate delivery of the issue, additional accrued interest shall be charged from the delivery date at the initial syndicate delivery point(s) of the new issue, according to the length of time normally required for delivery to the locality in which the delivery is made;



## Appendix A

- (e) Sellers and buyers are both obliged to mail or deliver contracts of confirmation to a transaction each to the other the same day or within a maximum of one working day after a transaction is made;
- (f) A trade in a mortgage-backed security made during a commitment period shall be entered into for delivery on the first clearing day on or after the fifteenth calendar day of the month. For the purposes of this clause (~~of~~), "commitment period" means the period from the ~~third~~second clearing day before month-end to the first clearing day on or before the ~~eleventh~~twelfth calendar day of the following month, inclusive."

### Proposed Rule - Item #8

#### Dealer Member Rule 800.33

"800.33. Where dealings take place in bonds and/or debentures, available only in registered form:

- (a) Dealings made from ~~two days prior to~~one business day before a regular interest payment up to ~~three~~two business days ~~prior to~~before the closing of the transfer books for the next interest payment, both days inclusive, shall be on an "and interest" basis. Unless delivery is completed to the buyer by twelve o'clock noon at a transfer point on the date of the closing of the transfer books for a regular interest payment, then the full amount of such interest payment shall be deducted by the seller after the calculation of interest on the regular delivery basis;
- (b) Dealings made from ~~two days prior to~~one business day before the closing of the transfer books up to and including ~~three~~two business days ~~prior to~~before a regular interest payment shall be "less interest" from settlement date to the regular interest payment date."

### Proposed Rule - Item #9

#### Dealer Member Rule 800.34

"800.34. Where dealings take place in unlisted registered shares, the shares shall be traded, ex dividend, ex rights, or ex payments ~~two full~~one business ~~days prior to~~day before the record date. Where dealings take place in such registered shares which are not ex dividend, ex rights, or ex payments at the time the transaction occurs, the seller shall be responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates, if delivery is not completed ~~prior to~~before twelve o'clock noon at a transfer point on the date of the closing of the transfer books. Should the record date fall on a Saturday or other non-

business day, for the purposes of this Rule it shall be presumed to be effective the business day previous.”

**Proposed Rule - Item #10**

Dealer Member Rule 800.47

**“800.47. When Issued Trading**

Unless otherwise provided by the Corporation or the parties to the trade by mutual agreement:

- (a) All when issued trades made prior to the ~~second~~ trading day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security;
- (b) When issued trades on or after the ~~second~~ trading day before the anticipated date of issue of the security shall settle on the ~~third~~second settlement day after the trade date; and
- (c) If the security has not been issued on the date for settlement as set out in paragraph (a) or (b) above, such trades shall be settled on the date that the security is actually issued.”

**Proposed Rule - Items #11 and #12**

Notes and Instructions to Schedule 11 and 11A

**FORM 1, PART II – SCHEDULES 11 AND 11A  
NOTES AND INSTRUCTIONS**

- “1. The purpose of this Schedule is to measure the balance sheet exposure a Dealer Member has to foreign currency risk. Schedule 11A must be completed for each foreign currency that has margin requirement greater than or equal to \$5,000.
2. The following is a summary of the quantitative and qualitative criteria for Currency Groups 1-4. Dealer Members should refer to the most recently published listing by SROs of currency groupings.
- **Currency Group 1** consists of the US dollar.
  - **Currency Group 2** consists of all countries whose currencies have a historical volatility of less than 3% relative to the Canadian dollar, are quoted on a daily basis by a Canadian Schedule 1 chartered bank, and are either a member of the European Monetary System and a participant of the Exchange Rate Mechanism or there is a listed future for the currency on a recognized futures exchange such as the Chicago Mercantile Exchange (CME) or Philadelphia Board of Trade (PBOT).
  - **Currency Group 3** consists of all countries whose currencies have a historical volatility of less than 10% relative to the Canadian dollar, are quoted on a daily basis by a Canadian Schedule 1 chartered bank and are a full member of the International Monetary Fund (IMF).
  - **Currency Group 4** consists of all countries, which do not satisfy the quantitative and qualitative criteria for Currency Groups 1-3.
3. Reference should be made to the applicable rules and interpretation notices of the Corporation for definitions and calculations.
4. Monetary assets and liabilities are money or claims to money, the values of which, whether denominated in foreign or domestic currency are fixed by contract or otherwise.
5. All monetary assets and liabilities as well as the Dealer Member’s own foreign currency future and forward commitments are to be reported on a trade date basis.
6. Monetary liabilities and the Dealer Member’s own foreign currency future and forward commitments should be disclosed by maturity dates i.e. less than or equal to two (2) years and greater than two (2) years.
7. Weighted value is calculated for foreign exchange positions with terms to maturity of greater than ~~threetwo~~ (32) business days. The weighted value is derived by taking the term to maturity of the foreign exchange position in calendar days divided by 365 (weighting factor) and multiplying it by the unhedged foreign exchange amount.
8. The total margin requirement is the sum of the spot risk margin and the term risk margin requirements. The spot risk margin rates apply to all unhedged foreign exchange positions regardless of term to maturity. The term risk margin rates apply to all unhedged foreign exchange positions with a term to maturity of greater than ~~threetwo~~ (32) business days. The following summarizes the margin rates by Currency Group:

**Currency Group**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Spot Risk Margin Rate (Note 1)	1.0%	3.0%	10%	25%
Term Risk Margin Rate (Note 2)	1.0% to a maximum of 4%	3.0% to a maximum of 7%	5.0% to a maximum of 10%	12.5% to a maximum of 25%
Total Maximum Margin Rates (Note 1)	5%	10%	20%	50%

**Note 1:** Spot risk margin rates may be subject to the Foreign Exchange Margin Surcharge

**Note 2:** If the weighting factor described in 7 above exceeds the maximum term risk margin rate in the above table, the weighting factor should be adjusted to the maximum.

~~Feb-2011~~Sep-2017

**FORM 1, PART II – SCHEDULES 11 AND 11A**

**NOTES AND INSTRUCTIONS**

9. Dealer Members may elect to exclude non-allowable monetary assets from the total monetary assets reported on Schedule 11A for purposes of the foreign exchange margin calculation. The reason underlying this proviso is that a Dealer Member should not have to provide foreign exchange margin on a non-allowable asset which is already fully provided for in the determination of the capital position of the Dealer Member unless it serves as an economic hedge against a monetary liability.
10. For Dealer Members offsetting an inventory futures contract/forward contract position in which there is a futures contract for the currency listed on a recognized exchange, an alternative margin calculation may be used (refer to rules and interpretation notices of the Corporation). Any contract positions for which the margin is calculated under the alternative method must be reported as part of the inventory margin calculations on Schedule 2 and should be excluded from Schedule 11A.
11. Line 20 - The Foreign Exchange Concentration Charge applies only to currencies in Groups 2 to 4.”

~~Feb-2011~~[Sep-2017](#)

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**  
**AMENDMENTS TO FACILITATE THE INVESTMENT INDUSTRY'S MOVE TO T+2 SETTLEMENT**  
**CLEAN COPY OF AMENDMENTS**

1. A clean copy of the amended Universal Market Integrity Rules, Dealer Member Rules, and Form 1 is as follows:

**Proposed Rule – Item #1**

Universal Market Integrity Rules - Rules & Policies

Part 1 - Definitions and Interpretation UMIR 1.1-30 (April 11, 2016)

“**Special Terms Order**” means an order for the purchase or sale of a security:

- (a) for less than a standard trading unit;
- (b) the execution of which is subject to a condition other than as:
  - (i) to price,
  - (ii) to the date of settlement; or
  - (iii) imposed by the marketplace on which the order is entered as a condition for the entry or execution of the order; or
- (c) that on execution would be settled on a date other than:
  - (i) the second business day following the date of the trade, or
  - (ii) any settlement date specified in a special rule or direction referred to in subsection (2) of Rule 6.1 that is issued by an Exchange or a QTRS,

but does not include an order that is a Basis Order, Call Market Order, Closing Price Order, Market-on-Close Order, Opening Order or Volume-Weighted Average Price Order.”

**Proposed Rule - Items #2 and #3**

Dealer Member Rules 100.2(d)(ii)(A) and (B)(1)-(3)

**“(ii) Foreign Exchange Margin Requirement**

The foreign exchange margin requirement for foreign exchange positions shall be the aggregate of the spot risk margin requirement and the term risk margin requirement calculated based on the spot risk margin rate and the term risk margin rate, respectively, specified in Rule 100.2(d)(i)(A).

(A) Spot Risk Margin Requirement

- (1) The spot risk margin requirement shall apply to all monetary assets and liabilities regardless of term to maturity.
- (2) The spot risk margin requirement shall be calculated as the product of the net monetary position and the spot risk margin rate.
- (3) Monetary assets and liabilities will be considered to be spot positions unless they have a term to maturity of more than 2 business days.

- (4) The spot risk margin requirement shall be converted to Canadian dollars at the then current spot exchange rate.
- (B) Term Risk Margin Requirement
  - (1) The term risk margin requirement shall apply to all monetary assets and liabilities which have a term to maturity of more than 2 business days, where the term to maturity is defined as the amount of time to when the claim to the monetary asset or the obligation to satisfy monetary liability expires.
  - (2) The term risk margin requirement is calculated as the product of the market value of the monetary asset or liability, the weighting factor and the term risk margin rate. The weighting factor of a monetary asset or liability with a term to maturity of 2 years or less shall be the number of days to maturity of the monetary asset or liability divided by 365 days, provided that if the term to maturity is 2 business days or less the weighting factor shall be zero.
  - (3) The term risk margin rate for an unhedged foreign exchange position shall not exceed the following rates:

	<b>Currency Group</b>			
	1	2	3	4
Maximum Term Risk Margin Rate	4.0%	7.0%	10.0%	25.0%

”

**Proposed Rule - Item #4**

Dealer Member Rules 100.19(a) and (b)

**“100.19. When Issued Trading of New and Additional Issues**

**(a) Margin for Sales**

**(i) Short positions**

Margin for short positions resulting from short sales of a security traded on a when issued basis shall be calculated on the market value of the securities sold as required by the relevant provisions of Rule 100.2(f)(i) relating to short positions. Margin shall be posted on the second settlement day after the trade of the short sale.

**(ii) Hedged Positions resulting from the Sale on a When Issued Basis of a Security Previously Purchased on a When Issued Basis**

When a person who has purchased a security to be issued pursuant to prospectus subsequently sells such security on a when issued basis,

margin shall be calculated on the market value of the security purchased as required by the relevant provisions for long positions in Rule 100.2(f)(i) and shall be posted on the second settlement day after the sale.

**(iii) Sales on a When Issued Basis for Settlement in the Regular Market**

If a person who is deemed to own a security posted for trading on a when issued basis subsequently sells such security in the regular market and the trade occurs prior to the issuance or distribution of such security, margin shall be calculated on the market value of the securities sold as required by the relevant provisions in Rule 100.2(f)(i) relating to margin for short positions. Margin shall be posted on the second settlement day after the trade date.

**(b) Purchases of When Issued Securities**

Margin for purchases of securities on a when issued basis that have not been sold subsequently on a when issued basis shall be calculated as required by the relevant provisions in Rule 100.2(f)(i) relating to long positions. Margin shall be posted on the later of the second settlement day after the trade date or the date of the issuance or distribution of the security.”

**Proposed Rule - Item #5**

Dealer Member Rule 200.2(l)(iv)

- (iv) In the case of trades in mortgage-backed securities, and subject to the proviso below:
- (A) The original principal amount of the trade;
  - (B) The description of the security (including interest rate and maturity date);
  - (C) The remaining principal amount (RPA) factor;
  - (D) The purchase/sale price per \$100 of original principal amount;
  - (E) The accrued interest;
  - (F) The total settlement amount; and
  - (G) The settlement date

provided that in the case of trades entered into from the second clearing day before month end to the fifth clearing day of the following month, inclusive, a preliminary confirmation shall be issued showing the trade date and the information in sub-clauses 200.2(l)(iv)(A), (B), (D) and (G) and indicating that the information in sub-clauses 200.2(l)(iv)(C), (E) and (F) cannot yet be determined and that a final confirmation will be issued as soon as such information is available.



After the remaining principal amount factor for the security is available from the central payor and transfer agent, a final confirmation shall be issued including all of the information required above.

And”

**Proposed Rule - Items #6 and #7**

Dealer Member Rule 800.27

“800.27. All transactions are to be consummated upon the following regular delivery terms unless at the time each individual transaction takes place alternative terms are agreed upon and confirmed in writing:

- (a) In the case of Government of Canada Treasury Bills regular delivery shall be for the same day as the transaction takes place;
- (b) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds except Treasury Bills) having an unexpired term of three years or less to maturity (or to the earliest call date where a transaction is completed at a premium) regular delivery shall involve the stopping of accrued interest on the second clearing day after the transaction takes place;
- (c) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity of longer than three years (where such a bond is traded at a premium the earliest call date shall be treated as the maturity date) and all provincial, municipal, corporation and other bonds or debentures, stock, or other certificates of indebtedness including (subject to clause (f)) mortgage-backed securities, regular delivery shall involve the stopping of accrued interest, where applicable, on the second clearing day after the transaction takes place;
- (d) Nothing herein contained shall in any way interfere with the common practice of dealing in new issues during the period of original distribution on an "accrued interest to delivery" basis with the exception that regular delivery Rules will come into effect the appropriate number of clearing days prior to the new issue securities being first available for physical delivery;

Where a new issue delivery is made against payment outside of the points fixed for the initial syndicate delivery of the issue, additional accrued interest shall be charged from the delivery date at the initial syndicate delivery point(s) of the new issue, according to the length of time normally required for delivery to the locality in which the delivery is made;

- (e) Sellers and buyers are both obliged to mail or deliver contracts of confirmation to a transaction each to the other the same day or within a maximum of one working day after a transaction is made;
- (f) A trade in a mortgage-backed security made during a commitment period shall be entered into for delivery on the first clearing day on or after the fifteenth calendar day of the month. For the purposes of this clause (f), "commitment period" means the period from the second clearing day before month-end to the first clearing day on or before the twelfth calendar day of the following month, inclusive."

**Proposed Rule - Item #8**

Dealer Member Rule 800.33

"800.33. Where dealings take place in bonds and/or debentures, available only in registered form:

- (a) Dealings made from one business day before a regular interest payment up to two business days before the closing of the transfer books for the next interest payment, both days inclusive, shall be on an "and interest" basis. Unless delivery is completed to the buyer by twelve o'clock noon at a transfer point on the date of the closing of the transfer books for a regular interest payment, then the full amount of such interest payment shall be deducted by the seller after the calculation of interest on the regular delivery basis;
- (b) Dealings made from one business day before the closing of the transfer books up to and including two business days before a regular interest payment shall be "less interest" from settlement date to the regular interest payment date."

**Proposed Rule - Item #9**

Dealer Member Rule 800.34

"800.34. Where dealings take place in unlisted registered shares, the shares shall be traded, ex dividend, ex rights, or ex payments one business day before the record date. Where dealings take place in such registered shares which are not ex dividend, ex rights, or ex payments at the time the transaction occurs, the seller shall be responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates, if delivery is not completed before twelve o'clock noon at a transfer point on the date of the closing of the transfer books. Should the record date fall on a Saturday or other non-business day, for the purposes of this Rule it shall be presumed to be effective the business day previous."

**Proposed Rule - Item #10**

Dealer Member Rule 800.47

**“800.47. When Issued Trading**

Unless otherwise provided by the Corporation or the parties to the trade by mutual agreement:

- (a) All when issued trades made prior to the trading day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security;
- (b) When issued trades on or after the trading day before the anticipated date of issue of the security shall settle on the second settlement day after the trade date; and
- (c) If the security has not been issued on the date for settlement as set out in paragraph (a) or (b) above, such trades shall be settled on the date that the security is actually issued.”

**Proposed Rule - Items #11 and #12**

Notes and Instructions to Schedule 11 and 11A

**FORM 1, PART II – SCHEDULES 11 AND 11A  
NOTES AND INSTRUCTIONS**

- “1. The purpose of this Schedule is to measure the balance sheet exposure a Dealer Member has to foreign currency risk. Schedule 11A must be completed for each foreign currency that has margin requirement greater than or equal to \$5,000.
2. The following is a summary of the quantitative and qualitative criteria for Currency Groups 1-4. Dealer Members should refer to the most recently published listing by SROs of currency groupings.
  - **Currency Group 1** consists of the US dollar.
  - **Currency Group 2** consists of all countries whose currencies have a historical volatility of less than 3% relative to the Canadian dollar, are quoted on a daily basis by a Canadian Schedule 1 chartered bank, and are either a member of the European Monetary System and a participant of the Exchange Rate Mechanism or there is a listed future for the currency on a recognized futures exchange such as the Chicago Mercantile Exchange (CME) or Philadelphia Board of Trade (PBOT).
  - **Currency Group 3** consists of all countries whose currencies have a historical volatility of less than 10% relative to the Canadian dollar, are quoted on a daily basis by a Canadian Schedule 1 chartered bank and are a full member of the International Monetary Fund (IMF).
  - **Currency Group 4** consists of all countries, which do not satisfy the quantitative and qualitative criteria for Currency Groups 1-3.
3. Reference should be made to the applicable rules and interpretation notices of the Corporation for definitions and calculations.
4. Monetary assets and liabilities are money or claims to money, the values of which, whether denominated in foreign or domestic currency are fixed by contract or otherwise.
5. All monetary assets and liabilities as well as the Dealer Member’s own foreign currency future and forward commitments are to be reported on a trade date basis.
6. Monetary liabilities and the Dealer Member’s own foreign currency future and forward commitments should be disclosed by maturity dates i.e. less than or equal to two (2) years and greater than two (2) years.
7. Weighted value is calculated for foreign exchange positions with terms to maturity of greater than two (2) business days. The weighted value is derived by taking the term to maturity of the foreign exchange position in calendar days divided by 365 (weighting factor) and multiplying it by the unhedged foreign exchange amount.
8. The total margin requirement is the sum of the spot risk margin and the term risk margin requirements. The spot risk margin rates apply to all unhedged foreign exchange positions regardless of term to maturity. The term risk margin rates apply to all unhedged foreign exchange positions with a term to maturity of greater than two (2) business days. The following summarizes the margin rates by Currency Group:

**Currency Group**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Spot Risk Margin Rate (Note 1)	1.0%	3.0%	10%	25%
Term Risk Margin Rate (Note 2)	1.0% to a maximum of 4%	3.0% to a maximum of 7%	5.0% to a maximum of 10%	12.5% to a maximum of 25%
Total Maximum Margin Rates (Note 1)	5%	10%	20%	50%

**Note 1:** Spot risk margin rates may be subject to the Foreign Exchange Margin Surcharge

**Note 2:** If the weighting factor described in 7 above exceeds the maximum term risk margin rate in the above table, the weighting factor should be adjusted to the maximum.

9. Dealer Members may elect to exclude non-allowable monetary assets from the total monetary assets reported on Schedule 11A for purposes of the foreign exchange margin calculation. The reason underlying this proviso is that a Dealer Member should not have to provide foreign exchange margin on a non-allowable asset which is already fully

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**FORM 1, PART II – SCHEDULES 11 AND 11A****NOTES AND INSTRUCTIONS**

provided for in the determination of the capital position of the Dealer Member unless it serves as an economic hedge against a monetary liability.

10. For Dealer Members offsetting an inventory futures contract/forward contract position in which there is a futures contract for the currency listed on a recognized exchange, an alternative margin calculation may be used (refer to rules and interpretation notices of the Corporation). Any contract positions for which the margin is calculated under the alternative method must be reported as part of the inventory margin calculations on Schedule 2 and should be excluded from Schedule 11A.
11. Line 20 - The Foreign Exchange Concentration Charge applies only to currencies in Groups 2 to 4.”

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**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**  
**AMENDMENTS TO FACILITATE THE INVESTMENT INDUSTRY'S MOVE TO T+2 SETTLEMENT**  
**BLACK-LINE COPY OF PLAIN LANGUAGE VERSION OF AMENDMENTS**

1. A black-line comparison of the proposed plain language version of the Amendments to the most recently published proposed plain language rules<sup>3</sup>, where applicable, is as follows:

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<sup>3</sup> See Notice [17-0054](#), Re-publication of Proposed IIROC Dealer Member Plain Language Rule Book ***IIROC Notice 17-0133 – Rules Notice – Notice of Approval/Implementation – Amendments to facilitate the investment industry's move to T+2 settlement***

**Proposed Rule – Item #1**

No plain language version of UMIR

**Proposed Rule - Items #2 and #3**

Plain language version of Dealer Member Rules 100.2(d)(ii)(A) and (B)(1)-(3) are plain language rule clause 5130(7)(v), plain language rule subsection, 5460(1), plain language rule sections 5463, and 5464.

Plain language rule clause 5130(7)(v)

“(v) “term to maturity” for a *monetary asset or liability* means the amount of time from the present to the time when the claim to the *monetary asset* or the obligation to satisfy the *monetary liability* expires.”

Plain language rule subsection, 5460(1)

**“FOREIGN EXCHANGE POSITIONS**

**5460. General margin requirements for foreign exchange positions**

- (1) The minimum *Dealer Member inventory margin* and *client account margin* requirements for a particular *foreign exchange position* are the aggregate of the spot risk margin requirement and term risk margin requirement, calculated using one of the following groups of spot risk margin rates and term risk margin rates for the relevant foreign currency:

<b>Spot risk and term risk margin required as a percentage of market value of the foreign exchange position</b>				
<b>Currency Group</b>				
	1	2	3	4
Spot risk margin rate	greater of: (i) 1.00% and (ii) spot risk surcharge rate	greater of: (i) 3.00% and (ii) spot risk surcharge rate	greater of: (i) 10.00% and (ii) spot risk surcharge rate	25.00%
Term risk margin rate	lesser of: (i) 1.00% x <i>foreign exchange position term to maturity</i> , and (ii) 4.00%	lesser of: (i) 3.00% x <i>foreign exchange position term to maturity</i> , and (ii) 7.00%	lesser of: (i) 5.00% x <i>foreign exchange position term to maturity</i> , and (ii) 10.00%	lesser of: (i) 12.50% x <i>foreign exchange position term to maturity</i> , and (ii) 25.00%

”

Plain language rule section 5463

**“5463. Spot risk margin requirement**

- (1) The spot risk margin requirement applies to all *monetary assets and liabilities*, regardless of *term to maturity*, and must be calculated as:

$$\text{net long (short) foreign exchange position} \times \text{spot risk margin rate}$$

- (2) The spot risk margin requirement must be converted to Canadian dollars at the current *spot exchange rate.*"

Plain language rule section 5464

### "5464. Term risk margin requirement

- (1) The term risk margin requirement applies to all *monetary assets or liabilities* with a *term to maturity* of over ~~three~~two *business* days and must be calculated for each individual asset and liability as:  
*foreign exchange position* x term risk margin rate for the position
- (2) The term risk margin requirement must be converted to Canadian dollars at the current *spot exchange rate.*"

### Proposed Rule - Item #4

Plain language version of Dealer Member Rules 100.19(a) and (b) are plain language rule sections 5560, 5561 and 5562.

#### "MARGIN REQUIREMENTS FOR WHEN ISSUED TRADING POSITIONS

##### 5560. Margin for short positions

- (1) Subject to subsections 5560(2) and 5560(3), the minimum *Dealer Member inventory margin* and *client account margin* required for short positions resulting from short sales of a security traded on a when issued basis is the *normal margin required* for a short position in the security.
- (2) *Dealer Member inventory margin* shall be posted on the trade date of the short sale.
- (3) *Client account margin* shall be posted on the ~~third~~second settlement day after the trade date of the short sale.

##### 5561. Margin for hedged positions

- (1) Subject to subsections 5561(3) and 5561(4), the minimum *Dealer Member inventory margin* and *client account margin* required for hedged positions resulting from purchases of securities *trading on a when issued basis* that are subsequently sold on a *when issued basis* is the *normal margin required* for a long position in the security.
- (2) Subject to subsections 5561(3) and 5561(4), the minimum *Dealer Member inventory margin* and *client account margin* required for hedged positions resulting from purchases of securities *trading on a when issued basis* that are subsequently sold for settlement into the regular market is the *normal margin required* for a short position in the security.
- (3) *Dealer Member inventory margin* shall be posted on the trade date of the purchase.
- (4) *Client account margin* shall be posted on the ~~third~~second settlement day after the trade date of the sale.



**5562. Margin for long positions**

- (1) Subject to subsections 5562(2) and 5562(3), the minimum *Dealer Member inventory margin* and *client account margin* required for long positions resulting from purchases of securities trading on a *when issued* basis that have not been sold subsequently on a *when issued* basis is the *normal margin* required for a long position in the security.
- (2) *Dealer Member inventory margin* shall be posted on the trade date of the purchase.
- (3) *Client account margin* shall be posted on the later of the ~~third~~second settlement day after the trade date of the purchase and the date of the issuance or distribution of the security.”

**Proposed Rule - Item #5**

Plain language version of Dealer Member Rule 200.2(l)(iv) is plain language rule clause 3816(2)(iv).

Plain language rule clause 3816(2)(iv)

“(iv) in the case of trades in mortgage-backed securities, and subject to the proviso below:

- (a) the original principal amount of the trade,
- (b) the description of the security (including interest rate and maturity date),
- (c) the remaining principal amount (RPA) factor,
- (d) the purchase/sale price per \$100 of original principal amount,
- (e) the accrued interest,
- (f) the total settlement amount, and
- (g) the settlement date,

provided that in the case of trades entered into from the ~~third~~second *clearing day* before month end to the ~~fourth~~fifth *clearing day* of the following month, inclusive, a preliminary confirmation shall be issued showing the trade date and the information in sub-clauses 3816(2)(iv)(a), 3816(2)(iv)(b), 3816(2)(iv)(d) and 3816(2)(iv)(g) and indicating that the information in sub-clauses 3816(2)(iv)(c), 3816(2)(iv)(e) and 3816(2)(iv)(f) cannot yet be determined and that a final confirmation will be issued as soon as such information is available. After the remaining principal amount factor for the security is available from the central payor and transfer agent, a final confirmation shall be issued including all of the information required in clause 3816(2)(iv),

and”

**Proposed Rule - Items #6 and #7**

Plain language version of Dealer Member Rule 800.27 (fixed income section) is plain language rule subsections 4804(1), 4804(2), and 4804(4).

Plain language rule subsections 4804(1) - 4804(4)

**“4804.Fixed income delivery**

- (1) In section 4804 “regular delivery” is defined as:
  - (i) Government of Canada
    - (a) The same day as the transaction date for Government of Canada Treasury Bills.
    - (b) The second *business day* after the transaction date for Government of Canada Bonds and Government of Canada Guaranteed Bonds (except Treasury Bills) having an unexpired term to maturity of three years or less (or to the earliest call date where a transaction is completed at a premium). Any accrued interest must be stopped on the second *business day* after the transaction date.
    - (c) The ~~third~~second *business day* after the transaction date for Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity of longer than three years (where such a bond is traded at a premium the earliest call date shall be treated as the maturity date). Any accrued interest must be stopped on the ~~third~~second *business day* after the transaction date.
  - (ii) Province of Canada
    - (a) The ~~third~~second *business day* after the transaction date for all provincial bonds or debentures. Any accrued interest must be stopped on the ~~third~~second *business day* after the transaction date.
  - (iii) Other Bonds and Debentures
    - (a) The ~~third~~second *business day* after the transaction date for all municipal, corporation and other bonds or debentures (other than Government of Canada and Province of Canada treasury bills, bonds or debentures), and other certificates of indebtedness including mortgage-backed securities. Any accrued interest must be stopped on the ~~third~~second *business day* after the transaction date.
- (2) All trades are to be considered for *regular delivery*, unless otherwise agreed to in writing by all of the parties to a transaction at the time of the transaction.
- (3) For a deal involving the sale or purchase of more than one maturity, each maturity must be treated as a separate transaction. No contingent (all or none) dealings are permitted.
- (4) New issues delivery
  - (i) The *regular delivery* requirements are not intended to interfere in any way with the common practice of transactions between *Dealer Members* in new issues during the period of primary distribution on an "accrued interest to delivery" basis. However, the *regular delivery* requirements will come into effect on the appropriate number of *business days* prior to the new issue being first available for physical delivery.

## Appendix C

- (ii) Where a new issue delivery is made against payment outside of the points fixed for the initial syndicate delivery of the issue, additional accrued interest must be charged from the delivery date at the initial syndicate delivery point of the new issue, according to the length of time normally required for delivery to the locality in which the delivery is made.
- (iii) For a mortgage-backed security transaction made during the period from the ~~third~~second *business day* before month-end to the first *business day* on or before the ~~eleventh~~twelfth day of the following month, inclusive, delivery must take place on or after the fifteenth day of the month.”

### Proposed Rule - Item #8

Plain language version of Dealer Member Rule 800.33 is plain language rule subsections 4802(7) and 4802(8).

Plain language rule subsections 4802(7) and 4802(8)

- “(7) For bonds or debentures that are only available in registered form, transactions made ~~two days~~one business day before a regular interest payment and up to ~~three~~two business days before the closing of the transfer agent’s books for the next interest payment, both days inclusive, will be on an "and interest" basis. The full amount of such interest payment must be deducted by the seller after the calculation of interest on the regular delivery basis, unless delivery is completed to the buyer by 12 noon at a transfer point on the date of the closing of the transfer agent’s books for a regular interest payment.
- (8) For bonds or debentures that are only available in registered form, transactions from ~~two days~~one business day before the closing of the transfer agent’s books up to and including ~~three~~two business days before a regular interest payment must be "less interest" from settlement date to the regular interest payment date.”

### Proposed Rule - Item #9

Plain language version of Dealer Member Rule 800.34 is plain language rule sub-clauses 4807(2)(ii)(b) and 4807(2)(ii)(c).

Plain language rule sections 4807(1) - (2)

#### “4807. Stock delivery

- (1) All trades are to be considered for *regular delivery* (defined in subsection 4807(2)), unless otherwise agreed to in writing by the parties to a transaction at the time of the transaction.
- (2) In section 4807 “regular delivery” is defined as:
  - (i) Exchange-listed shares
    - (a) The settlement date generally accepted according to industry practice for the shares in the market in which the transaction occurs, including foreign jurisdictions.

- (ii) Unlisted registered shares
  - (a) The settlement date generally accepted according to industry practice for the shares in the market in which the transaction occurs, including foreign jurisdictions.
  - (b) For transactions between *Dealer Members* in shares that occur ~~two full~~one business days prior to day before the record date, the shares must be traded ex dividend, ex rights, or ex payments.
  - (c) For transactions between *Dealer Members* in shares that are not ex dividend, ex rights, or ex payments at the time the transaction occurs and delivery is not completed ~~prior to~~before twelve o'clock noon (12 p.m.) at a transfer point on the date of the closing of the transfer agent's books, the seller is responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates. For the purposes of this sub-clause 4807(2)(ii)(c), where the record date falls on a Saturday or other non- *business day*, the *business day* prior to the record date is to be treated as the effective record date."

### Proposed Rule - Item #10

Plain language version of Dealer Member Rule 800.47 is plain language rule subsection 4760(1).

Plain language rule subsection 4760(1)

#### "4760. When issued trading

- (1) Unless the parties to the trade agree otherwise or *IIROC* provides a separate ruling:
  - (i) all when issued trades made before the ~~second~~ trading day before the anticipated date of issue of the security must be settled on the anticipated date of issue of such security,
  - (ii) all when issued trades made on or after the ~~second~~ trading day before the anticipated date of issue of the security must be settled on the ~~third~~second settlement day after the trade date,
  - (iii) if the security has not been issued on the settlement date in clause 4760(1)(i) or 4760(1)(ii), such trades must be settled on the date that the security is actually issued."

### Proposed Rule - Items #11 and #12

No plain language version of Form 1

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**  
**AMENDMENTS TO FACILITATE THE INVESTMENT INDUSTRY'S MOVE TO T+2 SETTLEMENT**  
**SUMMARY OF COMMENTS RECEIVED AND IIROC RESPONSE**

1. A summary of the comments received and IIROC response are as follows:

### Summary of comments received

We received one [comment letter](#) and it was from the Canadian Capital Markets Association (**CCMA**). The CCMA's comment letter supported the Amendments and asked for temporary administrative relief, or minor transitional rule regarding IIROC's trade confirmation suppression requirements under DMR 200.2(l)(x)(B) to allow the following:

- that Dealer Members, which already suppress institutional trade confirmations, be permitted to continue to do so for the third and fourth calendar quarters of 2017 (or corresponding quarters if the implementation date is changed) even should their institutional trades matched drop temporarily below the 90% threshold that must be matched by noon on T+1
- that Dealer Members, which are in the process of building three consecutive quarters of not needing to file Forms 24-101F, may exclude the results of the third and fourth quarters of 2017 from the calculation for suppressing written confirmations for clients.

### IIROC response

Our response to the CCMA's comments is as follows:

- For Dealer Members that already suppress institutional trade confirmations under DMR 200.2(l)(x)(B) and whose quarterly compliant trade percentage has temporarily dropped below the 90% threshold because of the transition to T+2 settlement, we believe the CSA's transitional provisions for the delivery of Form 24-101F1 for the calendar quarter that includes the effective date of the CSA's amendments to National Instrument 24-101 (**NI 24-101**) and its Companion Policy<sup>4</sup> would help to minimize this T+2 settlement-related temporary drop from occurring. In addition, if approved and implemented in time, we believe that our recently proposed amendments to trade-confirmation suppression requirements<sup>5</sup> would also provide relief to these Dealer Members. In the event that these proposed amendments are not implemented in time for the move to T+2 settlement, we would be supportive of providing temporary administrative relief to these Dealer Members and review such requests on a case-by-case basis.
- For Dealer Members that are in the process of building three consecutive quarters of not needing to file Forms 24-101F and whose quarterly compliant trade percentage has temporarily dropped below the 90% threshold because of the transition to T+2 settlement, we would be supportive of providing temporary administrative relief to these Dealer Members provided that their previous quarterly compliant trade percentages show a

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<sup>4</sup> See CSA Notice "[Amendments to National Instrument 24-101 Institutional Trade Matching and Settlement and Changes to Companion Policy 24-101CP to National Instrument 24-101 Institutional Trade Matching and Settlement](#)", dated April 27, 2017

<sup>5</sup> See Notice [17-0088](#), Amendments to trade-confirmation suppression requirements

## **Appendix D**

pattern that they are committed to achieving the 90% threshold. We would review such requests on a case-by-case basis.

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**  
**AMENDMENTS TO FACILITATE THE INVESTMENT INDUSTRY'S MOVE TO T+2 SETTLEMENT**  
**BLACK-LINE COMPARISON OF AMENDMENTS TO SHOW NON-MATERIAL REVISIONS TO PREVIOUSLY**  
**PUBLISHED AMENDMENTS**

1. A black-line comparison of the Amendments to show the non-material revisions to the previously published amendments for Dealer Member Rules 800.33, 800.34 and 800.47 is as follows:



**Proposed Rule - Item #8**

Dealer Member Rule 800.33

“800.33. Where dealings take place in bonds and/or debentures, available only in registered form:

- (a) Dealings made from one business day ~~prior to~~ before a regular interest payment up to two business days ~~prior to~~ before the closing of the transfer books for the next interest payment, both days inclusive, shall be on an "and interest" basis. Unless delivery is completed to the buyer by twelve o'clock noon at a transfer point on the date of the closing of the transfer books for a regular interest payment, then the full amount of such interest payment shall be deducted by the seller after the calculation of interest on the regular delivery basis;
- (b) Dealings made from one business day ~~prior to~~ before the closing of the transfer books up to and including two business days ~~prior to~~ before a regular interest payment shall be "less interest" from settlement date to the regular interest payment date.”

**Proposed Rule - Item #9**

Dealer Member Rule 800.34

“800.34. Where dealings take place in unlisted registered shares, the shares shall be traded, ex dividend, ex rights, or ex payments one business day ~~prior to~~ before the record date. Where dealings take place in such registered shares which are not ex dividend, ex rights, or ex payments at the time the transaction occurs, the seller shall be responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates, if delivery is not completed ~~prior to~~ before twelve o'clock noon at a transfer point on the date of the closing of the transfer books. Should the record date fall on a Saturday or other non-business day, for the purposes of this Rule it shall be presumed to be effective the business day previous.”

**Proposed Rule - Item #10**

Dealer Member Rule 800.47

**“800.47. When Issued Trading**

Unless otherwise provided by the Corporation or the parties to the trade by mutual agreement:

## **Appendix E**

- (a) All when issued trades made prior to the ~~first~~ trading day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security;
- (b) When issued trades on or after the ~~first~~ trading day before the anticipated date of issue of the security shall settle on the second settlement day after the trade date; and
- (c) If the security has not been issued on the date for settlement as set out in paragraph (a) or (b) above, such trades shall be settled on the date that the security is actually issued.”

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**

**AMENDMENTS TO FACILITATE THE INVESTMENT INDUSTRY'S MOVE TO T+2 SETTLEMENT**

**BLACK-LINE COMPARISON OF PLAIN LANGUAGE VERSION OF AMENDMENTS TO SHOW NON-MATERIAL REVISIONS TO PREVIOUSLY PLAIN LANGUAGE RULES**

1. A black-line comparison of the proposed plain language version of the Amendments to show the non-material revisions to the previously proposed plain language rules<sup>6</sup>, where applicable, is as follows:

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<sup>6</sup> See Notice [16-0052](#), Re-Publication of Proposed IIROC Dealer Member Plain Language Rule Book *IIROC Notice 17-0133 – Rules Notice – Notice of Approval/Implementation – Amendments to facilitate the investment industry's move to T+2 settlement*

**Proposed Rule – Item #1**

No plain language version of UMIR

**Proposed Rule - Items #2 and #3**

Plain language version of Dealer Member Rules 100.2(d)(ii)(A) and (B)(1)-(3) are plain language rule clause 5130(7)(v), plain language rule subsection, 5460(1), plain language rule sections 5463, and 5464.

Plain language rule clause 5130(7)(v)

“(v) “term to maturity” for a *monetary asset or liability* means the amount of time from the present to the time when the claim to the *monetary asset* or the obligation to satisfy the *monetary liability* expires.”

Plain language rule subsection, 5460(1)

**“FOREIGN EXCHANGE POSITIONS**

**5460. General margin requirements for foreign exchange positions**

- (1) The minimum *Dealer Member inventory margin* and *client account margin* requirements for a particular *foreign exchange position* are the aggregate of the spot risk margin requirement and term risk margin requirement, calculated using one of the following groups of spot risk margin rates and term risk margin rates for the relevant foreign currency:

Spot risk and term risk margin required as a percentage of market value of the foreign exchange position				
Currency Group				
	1	2	3	4
Spot risk margin rate	greater of: (i) 1.00% and (ii) spot risk surcharge rate	greater of: (i) 3.00% and (ii) spot risk surcharge rate	greater of: (i) 10.00% and (ii) spot risk surcharge rate	25.00%
Term risk margin rate	lesser of: (i) 1.00% x <i>foreign exchange position term to maturity</i> <sub>T<sub>z</sub></sub> and (ii) 4.00%	lesser of: (i) 3.00% x <i>foreign exchange position term to maturity</i> <sub>T<sub>z</sub></sub> and (ii) 7.00%	lesser of: (i) 5.00% x <i>foreign exchange position term to maturity</i> <sub>T<sub>z</sub></sub> and (ii) 10.00%	lesser of: (i) 12.50% x <i>foreign exchange position term to maturity</i> <sub>T<sub>z</sub></sub> and (ii) 25.00%

”

Plain language rule section 5463

**“5463. Spot risk margin requirement**

- (1) The spot risk margin requirement applies to all *monetary assets and liabilities*, regardless of *term to maturity*, and must be calculated as:

$$\text{net long (short) foreign exchange position} \times \text{spot risk margin rate}$$

- (2) The spot risk margin requirement must be converted to Canadian dollars at the current *spot exchange rate.*”

Plain language rule section 5464

**“5464. Term risk margin requirement**

- (1) The term risk margin requirement applies to all *monetary assets or liabilities* with a *term to maturity* of over two business days and must be calculated for each individual asset and liability as:  
*foreign exchange position* x term risk margin rate for the position
- (2) The term risk margin requirement must be converted to Canadian dollars at the current *spot exchange rate.*”

**Proposed Rule - Item #4**

Plain language version of Dealer Member Rules 100.19(a) and (b) are plain language rule sections 5560, 5561 and 5562.

**“MARGIN REQUIREMENTS FOR WHEN ISSUED TRADING POSITIONS**

**5560. Margin for short positions**

- (1) Subject to subsections 5560(2) and 5560(3), the minimum *Dealer Member inventory margin* and *client account margin* required for short positions resulting from short sales of a security traded on a when issued basis is the *normal margin required* for a short position in the security.
- (2) *Dealer Member inventory margin* shall be posted on the trade date of the short sale.
- (3) *Client account margin* shall be posted on the second settlement day after the trade date of the short sale.

**5561. Margin for hedged positions**

- (1) Subject to subsections 5561(3) and 5561(4), the minimum *Dealer Member inventory margin* and *client account margin* required for hedged positions resulting from purchases of securities *trading on a when issued basis* that are subsequently sold on a *when issued basis* is the *normal margin required* for a long position in the security.
- (2) Subject to subsections 5561(3) and 5561(4), the minimum *Dealer Member inventory margin* and *client account margin* required for hedged positions resulting from purchases of securities *trading on a when issued basis* that are subsequently sold for settlement into the regular market is the *normal margin required* for a short position in the security.
- (3) *Dealer Member inventory margin* shall be posted on the trade date of the purchase.
- (4) *Client account margin* shall be posted on the second settlement day after the trade date of the sale.

**5562. Margin for long positions**

- (1) Subject to subsections 5562(2) and 5562(3), the minimum *Dealer Member inventory margin* and *client account margin* required for long positions resulting from purchases of securities *trading on a*

when issued basis that have not been sold subsequently on a when issued basis is the normal margin required for a long position in the security.

- (2) Dealer Member inventory margin shall be posted on the trade date of the purchase.
- (3) Client account margin shall be posted on the later of the second settlement day after the trade date of the purchase and the date of the issuance or distribution of the security.”

**Proposed Rule - Item #5**

Plain language version of Dealer Member Rule 200.2(l)(iv) is plain language rule clause 3816(2)(iv).

Plain language rule clause 3816(2)(iv)

“(iv) in the case of trades in mortgage-backed securities, and subject to the proviso below:

- (a) the original principal amount of the trade~~;~~<sub>;</sub>
- (b) the description of the security (including interest rate and maturity date)~~;~~<sub>;</sub>
- (c) the remaining principal amount (RPA) factor~~;~~<sub>;</sub>
- (d) the purchase/sale price per \$100 of original principal amount~~;~~<sub>;</sub>
- (e) the accrued interest~~;~~<sub>;</sub>
- (f) the total settlement amount~~;~~<sub>;</sub> and
- (g) the settlement date~~;~~<sub>;</sub>

provided that in the case of trades entered into from the second clearing day before month end to the fifth clearing day of the following month, inclusive, a preliminary confirmation shall be issued showing the trade date and the information in ~~subclauses~~sub-clauses 3816(2)(iv)(a), 3816(2)(iv)(b), 3816(2)(iv)(d) and 3816(2)(iv)(g) and indicating that the information in ~~subclauses~~sub-clauses 3816(2)(iv)(c), 3816(2)(iv)(e) and 3816(2)(iv)(f) cannot yet be determined and that a final confirmation will be issued as soon as such information is available. After the remaining principal amount factor for the security is available from the central payor and transfer agent, a final confirmation shall be issued including all of the information required ~~above~~in clause 3816(2)(iv).

and”

**Proposed Rule - Items #6 and #7**

Plain language version of Dealer Member Rule 800.27 (fixed income section) is plain language rule subsections 4804(1), 4804(~~3~~2), and 4804(4).

Plain language rule subsections 4804(1) - 4804(4)

**“4804.Fixed income delivery**

- (1) ~~All trades are to be considered for regular delivery (defined in subsection 4804(3)), unless otherwise agreed to in writing by all of the parties to a transaction at the time of the transaction. In section 4804 “regular delivery” is defined as:~~
- ~~(2) For a deal involving the sale or purchase of more than one maturity, each maturity must be treated as a separate transaction. No contingent (all or none) dealings are permitted.~~
- ~~(3) Regular delivery is defined as:~~
- (i) Government of Canada
    - (a) The same day as the transaction date for Government of Canada Treasury Bills.
    - (b) The second *business day* after the transaction date for Government of Canada Bonds and Government of Canada Guaranteed Bonds (except Treasury Bills) having an unexpired term to maturity of three years or less (or to the earliest call date where a transaction is completed at a premium). Any accrued interest must be stopped on the second *business day* after the transaction date.
    - (c) The second *business day* after the transaction date for Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity of longer than three years (where such a bond is traded at a premium the earliest call date shall be treated as the maturity date). Any accrued interest must be stopped on the second *business day* after the transaction date.
  - (ii) Province of Canada
    - (a) The second *business day* after the transaction date for all provincial bonds or debentures. Any accrued interest must be stopped on the second *business day* after the transaction date.
  - (iii) Other Bonds and Debentures
    - (a) The second *business day* after the transaction date for all municipal, corporation and other bonds or debentures (other than Government of Canada and Province of Canada treasury bills, bonds or debentures), and other certificates of indebtedness including mortgage-backed securities. Any accrued interest must be stopped on the second *business day* after the transaction date.
- (2) All trades are to be considered for regular delivery, unless otherwise agreed to in writing by all of the parties to a transaction at the time of the transaction.
- (3) For a deal involving the sale or purchase of more than one maturity, each maturity must be treated as a separate transaction. No contingent (all or none) dealings are permitted.
- (4) New ~~Issues~~issues delivery
- (i) The *regular delivery* requirements ~~above~~ are not intended to interfere in any way with the common practice of transactions between *Dealer Members* in new issues during the period of primary distribution on an "accrued interest to delivery" basis. However, the *regular delivery* requirements will come into effect on the appropriate number of *business days* prior to the new issue being first available for physical delivery.
  - (ii) Where a new issue delivery is made against payment outside of the points fixed for the initial syndicate delivery of the issue, additional accrued interest must be charged from the

delivery date at the initial syndicate delivery point~~(s)~~ of the new issue, according to the length of time normally required for delivery to the locality in which the delivery is made.

- (iii) For a mortgage-backed security transaction made during the period from the second *business day* before month-end to the first *business day* on or before the twelfth ~~calendar~~ day of the following month, inclusive, delivery must take place on or after the fifteenth ~~calendar~~ day of the month.”

### **Proposed Rule - Item #8**

Plain language version of Dealer Member Rule 800.33 is plain language rule subsections 4802(7) and 4802(8).

Plain language rule subsections 4802(7) and 4802(8)

- “(7) For bonds or debentures that are only available in registered form, transactions made one business day before a regular interest payment and up to two business days before the closing of the transfer agent’s books for the next interest payment, both days inclusive, will be on an "and interest" basis. The full amount of such interest payment must be deducted by the seller after the calculation of interest on the regular delivery basis, unless delivery is completed to the buyer by ~~twelve o'clock~~12 noon ~~(12 p.m.)~~ at a transfer point on the date of the closing of the transfer agent’s books for a regular interest payment.
- (8) For bonds or debentures that are only available in registered form, transactions from one business day before the closing of the transfer agent’s books up to and including two business days before a regular interest payment must be "less interest" from settlement date to the regular interest payment date.”

### **Proposed Rule - Item #9**

Plain language version of Dealer Member Rule 800.34 is plain language rule sub-clauses 4807(2)(ii)(b) and 4807(2)(ii)(c).

Plain language rule sections 4807(1) - (2)

#### **“4807. Stock delivery**

- (1) All trades are to be considered for *regular delivery* (defined in subsection 4807(2)), unless otherwise agreed to in writing by the parties to a transaction at the time of the transaction.
- (2) ~~Regular~~In section 4807 “regular delivery” is defined as:
  - (i) Exchange-listed shares
    - (a) The settlement date generally accepted according to industry practice for the shares in the market in which the transaction occurs, including foreign jurisdictions.
  - (ii) Unlisted registered shares
    - (a) The settlement date generally accepted according to industry practice for the shares in the market in which the transaction occurs, including foreign jurisdictions.
    - (b) For transactions between *Dealer Members* in shares that occur one *business day* ~~prior~~ to before the record date, the shares must be traded ex dividend, ex rights, or ex payments.



## Appendix F

- (c) For transactions between *Dealer Members* in shares that are not ex dividend, ex rights, or ex payments at the time the transaction occurs and delivery is not completed ~~prior~~ to before twelve o'clock noon (12 p.m.) at a transfer point on the date of the closing of the transfer agent's books, the seller is responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates. For the purposes of this sub-clause 4807(2)(ii)(c), where the record date falls on a Saturday or other non- *business day*, the *business day* prior to the record date is to be treated as the effective record date."

### Proposed Rule - Item #10

Plain language version of Dealer Member Rule 800.47 is plain language rule subsection 4760(1).

Plain language rule subsection 4760(1)

#### "4760. When issued trading

- (1) Unless the parties to the trade agree otherwise or *IIROC* provides a separate ruling:
- (i) ~~All~~ all when issued trades made before the ~~first~~ trading day before the anticipated date of issue of the security must be settled on the anticipated date of issue of such security.
  - (ii) ~~All~~ all when issued trades made on or after the ~~first~~ trading day before the anticipated date of issue of the security must be settled on the second settlement day after the trade date.
  - (iii) ~~If~~ if the security has not been issued on the settlement date in clause 4760(1)(i) or 4760(1)(ii), such trades must be settled on the date that the security is actually issued."

### Proposed Rule - Items #11 and #12

No plain language version of Form 1