

13.1.4 Investment Industry Regulatory Organization of Canada (IIROC) – Amendments to the Notes and Instructions to Schedule 5 of Form 1 of the Dealer Member Rules Relating to Approved Inter-Dealer Bond Brokers

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC) –
AMENDMENTS TO THE NOTES AND INSTRUCTIONS TO
SCHEDULE 5 OF FORM 1 OF THE DEALER MEMBER RULES
RELATING TO APPROVED INTER-DEALER BOND BROKERS**

I OVERVIEW

A Current Rules

Note 7 of the Notes and Instructions to Schedule 5 of Form 1 lists inter-dealer bond brokers with which Dealer Members may transact with on a value for value basis for customer account margin purposes. As the list changes, a specific rule amendment must be drafted and approved by the board on a periodic basis to reflect the necessary addition and deletion of inter-dealer bond broker names.

B The Issue

It is not an efficient use of time to require the IIROC Board of Directors to pass a rule change to update the list of approved list of inter-dealer bond brokers. Rather, a more efficient approach (adopted previously by the Investment Dealers Association of Canada for the lists “Basle Accord Countries” and “regulated entities”) would be to allow Corporation staff to produce a list of approved inter-dealer bond brokers on a periodic basis through the issuance of a Rules Notice.

C Objective

The objective of the proposed amendments is to adopt a more efficient approach for updating the list of approved inter-dealer bond brokers. The specific proposal is to delete the list of inter-dealer bond broker names set out in Note 7 of the Notes and Instructions to Schedule 5 of Form 1 and instead refer to a list of approved inter-dealer bond brokers that will be published from time to time by Corporation and Bourse de Montreal staff through the issuance of a Rules Notice.

D Effect of Proposed Rules

Adoption of the attached proposed amendments will enable more efficient updating of approved list of inter-dealer bond brokers. These amendments are housekeeping in nature and, as a result, will have no impacts in terms of capital market structure, member 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

The current use of the approved list of inter-dealer bond brokers, its relevant history and the proposed amendments to the approach to be taken to update this list, have already been adequately addressed above. As these proposed amendments are housekeeping in nature, a detailed discussion of the proposed amendments was considered unnecessary.

B Issues and Alternatives Considered

No alternatives were considered.

C Comparison with Similar Provisions

As this amendment is considered to be housekeeping in nature it has not been compared to the requirements of other regulators.

D Systems Impact of Rule

There are no system impacts associated with this proposed amendment. The Bourse de Montreal has also passed this amendment. Implementation of this amendment will therefore take place once both the Corporation and the Bourse de Montréal have received approval to do so from their respective recognizing regulators.

E Classification of Proposed Amendment

IIROC has determined that the proposed amendment is a Housekeeping Rule.

According to the Joint Rule Review Protocol for IIROC (the “Protocol”), forming part of the Memorandum of Understanding regarding oversight of IIROC, the Corporation must determine that a proposed amendment(s) to a Rule of Form “has no material

impact on investors, issuers, members, registrants or the capital markets in any province or territory of Canada” to be classified as a Housekeeping Rule. Further, the proposed amendment(s) to a Rule or Form must qualify under one of the Housekeeping Rule categories set out in the protocol. IIROC has determined that the proposed amendment has no material impact on any parties or the Canadian capital markets and that proposed amendment “makes other changes of an editorial nature” and therefore has designated the proposed amendment as a Housekeeping Rule.

F Anticipated Effective Date

IIROC anticipates that the proposed Rule will be made effective on a date determined by IIROC staff after receipt by IIROC of approval by the requisite provincial securities commissions that allows for an appropriate Rule implementation period.

III COMMENTARY

A Filing in Other Jurisdictions

The proposed amendment will be filed with each of IIROC’s Recognizing Regulators, in accordance with s.3 of the Protocol.

B Effectiveness

As indicated in the previous sections the amendment is of this Housekeeping Rule will be effective in addressing the issues discussed above.

C Process

The proposed amendment was developed and recommended for approval by the FAS Capital Formula Subcommittee and recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV SOURCES

References:

- IIROC Dealer Member Rules, Form 1, Schedule 5

V REQUIREMENT TO PUBLISH FOR COMMENT

The Corporation has determined that the entry into force of these proposed amendments is housekeeping in nature. As a result, a determination has been made that these proposed rule amendments need not be published for comment.

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
AMENDMENTS TO THE NOTES AND INSTRUCTIONS TO SCHEDULE 5
OF FORM 1 OF THE DEALER MEMBER RULES
RELATING TO APPROVED INTER-DEALER BOND BROKERS

BOARD RESOLUTION

THE BOARD OF DIRECTORS of the Industry Regulatory Organization of Canada hereby makes the following amendments to the Rules and Forms of the Corporation:

1. Note 7 of the Notes and Instructions to Schedule 5 of Form 1 is amended by deleting the words "The following are approved:" and list of inter-dealer bond broker and replacing these words with:

"Approved inter-dealer bond brokers are those inter-dealer bond dealers that are approved by IIROC and Bourse de Montréal Inc. The list of approved inter-dealer bond brokers will be published from time to time through the issuance of a regulatory notice."

2. Note 8 of the Notes and Instructions to Schedule 5 of Form 1 is amended by deleting the words "approved list above." and replacing them with the words "list of approved inter-dealer bond brokers."

BE IT RESOLVED that the Board of Directors adopt, on this 16th day of July, 2008, the English and French versions of these amendments. The Board of Directors also authorizes IIROC Staff to make the minor changes that shall be required from time to time by the securities administrators with jurisdiction. These amendments shall take effect on the date determined by IIROC Staff.

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AMENDMENTS TO THE NOTES AND INSTRUCTIONS TO SCHEDULE 5
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7. **Line 4(a)** – All balances must be margined in the same way as accounts of Acceptable Counterparties (see Schedule 4 Notes and Instructions). Balances, or portions thereof, arising from trading transactions such as futures, options and short sale deposits should also be reported on this line. This line should also include balances with approved inter-dealer bond brokers. Approved inter-dealer bond brokers are those inter-dealer bond dealers that are approved by IIROC and Bourse de Montréal Inc. The list of approved inter-dealer bond brokers will be published from time to time through the issuance of a regulatory notice.

8. **Line 4(b)** – All balances must be margined in the same way as regular clients' accounts (see Schedule 4 Notes and Instructions). Balances, or portions thereof, arising from trading transactions such as futures, options and short sale deposits should also be reported on this line. This line should also include balances with inter-dealer bond brokers which are not on the list of approved inter-dealer bond brokers.

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- ~~Cantor Fitzgerald Partners~~ • ~~Carban Canada~~
- ~~Cowen & Company~~ • ~~M.W. Marshall Securities (Canada) Limited~~
- ~~Euro Brokers Canada Ltd.~~ • ~~Prebon Yamane (Canada) Limited~~
- ~~Exco Shercan Limited~~ • ~~Tullet & Tokyo Securities (Canada) Limited~~
- ~~Freedom International Brokerage Inc.~~

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