

13.1.7 IIROC Rule 100.4E – Offsets Between Strip Coupon Positions and / or Residual Debt Positions

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

RULE 100.4E - OFFSETS BETWEEN STRIP COUPON POSITIONS AND / OR RESIDUAL DEBT POSITIONS

BLACK LINE COPY OF AMENDMENTS

The following is a black-lined version of the approved amendments to IIROC Rule 100.4E, which is different from the version proposed and published on January 4, 2008, at (2008) 31 OSCB 349.

100.4E. Strip Coupons or Residuals coupon and / or residual debt positions

Government ~~Debt~~debt

Where a Dealer Member or a customer holds a ~~short (or long) position in bonds or debentures~~ the following offset positions and:

- (i) the offset positions mature within the same time period;
- (ii) the time periods are the time periods referred to in Rule 100.2(a);
- (iii) the offset positions are denominated in Canadian dollars issued or guaranteed by either the Government of Canada or by a province of Canada and also holds a long (or short) position in the stripped coupon or residual portion of such debt instruments, ; and
- (iv) the market value of the short position is equal to the market value of the long position;

the margin required is as follows:

(a) Bond or debenture and strip coupon or residual debt positions

- (i) for a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and a long or (short) position in the strip coupon or residual portion of such debt instruments; or
- (ii) for a short (or long) position in bonds or debentures issued or guaranteed by a province of Canada and a long (or short) position in the strip coupon or residual portion of such debt instruments;

the margin required shall be the excess of the margin required on the long (or short) position over the margin required on the short (or long position), respectively.

- (iii) for a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and a long or (short) position in a strip coupon or residual portion of a debt instrument issued or guaranteed by a province of Canada; or
- (iv) for a short (or long) position in bonds or debentures issued or guaranteed by a province of Canada and a long (or short) position in a strip coupon or residual portion of a debt instrument issued or guaranteed by the Government of Canada;

the margin required shall be 50% of the total margin required for both positions otherwise determined in the Rules.

(b) Strip coupon positions

- (i) for a short (or long) position in a strip coupon and a long (or short) position in a strip coupon, and the strip coupons are from bonds or debentures issued or guaranteed by the Government of Canada; or
- (ii) for a short (or long) position in a strip coupon and a long (or short) position in a strip coupon, and the strip coupons are from bonds or debentures issued or guaranteed by any province of Canada;

the margin required shall be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that: respectively.

- ~~(a) — Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;~~
- ~~(b) — Margin required in respect of bonds or debentures issued or guaranteed by the Government of Canada may only be netted against the margin required for the stripped coupon or residual coupon of other Government of Canada instruments which mature within the same periods referred to in Rule 100.2(a) for the purpose of determining margin rates; and~~
- ~~(c) — Margin required in respect of bonds or debentures issued or guaranteed by a province of Canada may only be netted against the margin required for the stripped coupon or residual portion of other province of Canada instruments which mature within the same periods referred to in Rule 100.2(a) for the purpose of determining margin rates.~~

~~Notwithstanding the foregoing provisions of this Rule 100.4E, where a Dealer Member or a customer holds:~~

- ~~(i) — A short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and a long (or short) position in the stripped or residual portion of bonds or debentures issued or guaranteed by a province of Canada; or~~
- ~~(ii) — A short (or long) position in bonds or debentures issued or guaranteed by a province of Canada and a long (or short) position in the stripped or residual portion of bonds or debentures issued or guaranteed by the Government of Canada;~~
- ~~(iii) — for a short (or long) position in a strip coupon of a bond or debenture issued or guaranteed by the Government of Canada and a long (or short) position in a strip coupon of a bond or debenture issued or guaranteed by a province of Canada;~~

~~the margin required shall be 50% of the total margin required for both positions otherwise determined in the Rules.~~

(c) Residual debt positions

- ~~(i) — for a short (or long) position in a residual and a long (or short) position in a residual, and the residual portions are from bonds or debentures issued or guaranteed by the Government of Canada; or~~
- ~~(ii) — for a short (or long) position in a residual and a long (or short) position in a residual, and the residual portions are from bonds or debentures issued or guaranteed by any province of Canada;~~

~~the margin required shall be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, respectively.~~

- ~~(iii) — for a short (or long) position in a residual portion of a bond or debenture issued or guaranteed by the Government of Canada and a long (or short) position of a residual portion of a bond or debenture issued or guaranteed by a province of Canada;~~

~~The margin required shall be 50% of the total margin required for both positions otherwise determined under the Rules, provided that such margin may only be determined as aforesaid on the basis that:~~

- ~~(iii) — Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;~~
- ~~(iv) — Margin required in respect of bonds or debentures may only be netted against the margin required for the stripped coupon or residual coupon of instruments which mature within the same periods referred to in Rule 100.2(a) for the purpose of determining margin rates.~~
- ~~(v) — The bonds and debentures and the stripped coupon or residual coupon of such debt instruments are both denominated in Canadian dollars.~~

(d) Strip coupon and residual debt positions

(i) for a short (or long) position in a strip coupon and a long (or short) position in a residual, and the residual portions are from bonds or debentures issued or guaranteed by the Government of Canada; or

(ii) for a short (or long) position in a strip coupon and a long (or short) position in a residual, and the residual portions are from bonds or debentures issued or guaranteed by any province of Canada;

the margin required shall be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, respectively.

(iii) for a short (or long) position in a strip coupon of a bond or debenture issued or guaranteed by the Government of Canada and a long (or short) position of a residual portion of a bond or debenture issued or guaranteed by a province of Canada; or

(iv) for a short (or long) position in a residual portion of a bond or debenture issued or guaranteed by the Government of Canada and a long (or short) position of a strip coupon of a bond or debenture issued or guaranteed by a province of Canada;

the margin required shall be 50% of the total margin required for both positions otherwise determined in the Rules.

Foreign Currency Debt

(e) Bond or debenture and strip coupon or residual debt positions

Where a Dealer Member or a customer holds a short (or long) position in bonds or debentures referred to in Rule 100.2(a)(i) denominated in a currency other than Canadian dollars, and also holds a long (or short) position in the stripped or residual portion of such debt instruments denominated in the same currency, the margin shall be the excess of the margin required on the short (or long) position, over the margin required on the short (or long) position provided that the net margin may only be determined as aforesaid on the basis that:

(ei) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and

(eii) Margin in respect of bonds or debentures issued or guaranteed by a particular government may only be netted against the margin required for the stripped coupon or residual portion of debt instruments of the same government, which mature within the same periods referred to in Rule 100.2(a)(i) for the purpose of determining margin rates.

Corporate Debt

(f) Bond or debenture and strip coupon or residual debt positions

Where a Dealer Member or a customer holds a short (or long) position in bonds or debentures issued by a corporation with a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard and Poor's Bond Record, and also holds a long (or short) position in the stripped coupon or residual portion of such debt instruments, the margin required shall be the greater of the margin required on the long (or short) position and the margin required on the short (or long) position, to a maximum 20% margin rate, provided that the margin may only be determined as aforesaid on the basis that:

(fi) The offset is permitted only to the extent that the market value of the two positions is equal, and no offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and

(fii) Margin required in respect of bonds or debentures issued by a corporation may only be offset against the margin required for the stripped coupon or residual portion of debt instruments of the same issuer, which mature within the same periods referred to in Rule 100.2(a)(xi) for the purpose of determining margin rates.