

IIROC NOTICE

Rules Notice Notice of Approval/Implementation

IIROC Rules

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22-0101

July 7, 2022

Housekeeping amendments to the IIROC Rules and Form 1 relating to the LBMA memberships

Executive Summary

IIROC is amending its rules and Form 1 that reference the London Bullion Market Association (**LBMA**) membership categories (the **Amendments**).

The Amendments update subsection 5430(1) of the IIROC Rules and the definition of “acceptable securities location” in Form 1 to reflect the recent membership changes implemented by the LBMA.

The Amendments will be effective immediately.



1. Summary and nature of the Amendments

In June 2021, the LBMA implemented changes to its membership categories. Currently, the LBMA membership categories are referenced in both the IIROC Rules and Form 1 for the purposes of margin for gold and silver bullion and/or qualifying an entity as an “acceptable securities location”.

To align with the revised LBMA rules, we updated subsection 5430(1) and the “acceptable securities location” definition in Form 1 with the new LBMA membership classifications. Specifically, we made the following amendments:

- replaced “ordinary member” with “full member” in subsection 5430(1),
- removed the “associate member” category from subsection 5430(1) as chartered banks cannot be assigned this membership classification,
- replaced “ordinary member” with “full member”, and “associate member” with “affiliate member” in the definition of “acceptable securities location”, and
- corrected the spelling to the word “terms” in the English version.

Clean copies of the Amendments are set out in **Appendices 3 and 4** and the blacklines of the changes are set out in **Appendices 1 and 2**.

2. Classification of the Amendments

We classified the Amendments as “housekeeping” because they:

- are reasonably necessary to conform IIROC’s Rules with applicable securities legislation, statutory or legal requirements, and
- have no material impact on investors, issuers, Dealer Members or the capital markets in any province or territory of Canada.

3. Implementation

On May 11, 2022 IIROC’s Board of Directors approved the Amendments. The Amendments are effective immediately.

IIROC followed its governance practices in approving the Amendments and considered the need for consequential amendments.

4. Appendices

[Appendix 1](#) - Blackline comparison of the Amendments to subsection 5430(1) of the IIROC Rules

[Appendix 2](#) - Blackline comparison of the Amendments to the “acceptable securities location” definition in Form 1

[Appendix 3](#) - Clean copy of the Amendments to subsection 5430(1) of the IIROC Rules



[Appendix 4](#) - Clean copy of the Amendments to “acceptable securities location” definition in Form 1

Appendix 3

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

HOUSEKEEPING AMENDMENTS TO THE IIROC RULES AND FORM 1 RELATING TO THE LBMA MEMBERSHIPS

CLEAN COPY OF THE AMENDMENTS TO SUBSECTION 5430(1) OF THE IIROC RULES

PRECIOUS METAL CERTIFICATES AND BULLION

5430. Precious metal certificates and bullion

- (1) The minimum *Dealer Member inventory margin* and *client account margin* requirements for precious metal certificates and bullion are as follows:

Precious metal investment type	Minimum margin required expressed as a percentage of market value
Negotiable certificates issued by <i>chartered banks</i> and trust companies authorized to do business in Canada, evidencing an interest in one of gold, platinum or silver	20%
Gold or silver bullion purchased by a <i>Dealer Member</i> for inventory or on behalf of a client, from the Royal Canadian Mint or a <i>chartered bank</i> that is a market making member or a full member of the London Bullion Market Association	20%

- (2) The *Dealer Member* must have a written representation from bullion vendor stating that the bullion are London Bullion Market Association good delivery bars for the bullion to be margin eligible under subsection 5430(1).



INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

HOUSEKEEPING AMENDMENTS TO THE IIROC RULES AND FORM 1 RELATING TO THE LBMA MEMBERSHIPS

CLEAN COPY OF THE AMENDMENTS TO “ACCEPTABLE SECURITIES LOCATION” DEFINITION IN FORM 1

“acceptable securities location”	<p>A location considered suitable to hold securities on behalf of a <i>Dealer Member</i>, for both inventory and client positions, without capital penalty. To be suitable, the location must meet <i>IIROC’s segregation</i> and custody requirements including, but not limited to, the requirement for a written custody agreement. The written custody agreement must outline the terms under which securities are deposited and include provision that:</p> <ul style="list-style-type: none">• no use or disposition of the securities shall be made without the prior written consent of the <i>Dealer Member</i>, and• the securities can be delivered to the <i>Dealer Member</i> promptly on demand. <p>The entities with locations that are considered suitable are as follows:</p> <p>...</p> <p>(viii) For London Bullion Market Association (LBMA) gold and silver good delivery bars, those entities considered suitable to hold these bars on behalf of a <i>Dealer Member</i>, for both inventory and client positions, without capital penalty must:</p> <ul style="list-style-type: none">(a) be a market making member, full member, or affiliate member of the LBMA,(b) be on <i>IIROC’s</i> list of entities considered suitable to hold LBMA gold and silver good delivery bars, and(c) have executed a written precious metals storage agreement with the <i>Dealer Member</i>, outlining the terms upon which such LBMA good delivery bars are deposited. The terms must include provisions that no use or disposition of these bars shall be made without the written prior consent of the <i>Dealer Member</i>, and these bars can be delivered to the <i>Dealer Member</i> promptly on demand. The precious metals storage agreement must provide equivalent rights and protection to the <i>Dealer Member</i> as the standard securities custodial agreement. <p>...</p>
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