

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

PROPOSED MARGIN REQUIREMENTS FOR STRUCTURED PRODUCTS

CLEAN COPY OF THE PROPOSED AMENDMENTS TO DEALER MEMBER RULES

100.2. For the purpose of Rule 17.13 and this Rule 100 the following margin requirements are hereby prescribed:

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(m) Structured products

(i) For positions in unlisted structured products issued by an acceptable institution where the return is linked to the performance of a specified underlying security or underlying basket of securities, 70% of the market value provided:

(A) the structured product is qualified by prospectus for sale in any province in Canada or is guaranteed by a Canadian financial institution as defined in securities laws;

(B) the underlying security or underlying basket of securities is eligible for margin under this section 100.2; and

(C) the issuer of the structured product or related affiliate is actively providing a secondary market.

(ii) Alternative structured products margin

For structured products with a guaranteed return of all or a portion of the investment principal, where the performance component can be separated from the debt instrument component, the margin requirements may be calculated as the sum of the separate components as follows:

(A) for the performance component linked to an underlying interest, 100% of the market value of the performance component; and

(B) for the debt instrument component, the margin rate percentage specified in Rule 100.2(a)(xi), multiplied by the market value of the debt instrument component,

provided the conditions in clauses Rule 100.2(m)(i)(A), (B) and (C) are met.