



CIRCULAR
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**ACCEPTABLE OVER-COLLATERALIZATION RATES FOR
FINANCING TRANSACTIONS WITH ACCEPTABLE COUNTERPARTIES**

The list of acceptable over-collateralization rates for financing transactions with acceptable counterparties attached is a supplement to the circular no. 133-02, “Capital Requirements for Financing Transactions – Amendments to Schedules 1, 7 and 7A of Policy C-3”, which was issued on September 23, 2002.

As mentioned in circular no. 133-02, the over-collateralization rates apply to financing transactions with acceptable counterparties, and include all transactions whose balances are reportable on Schedules 1 and 7 of Policy C-3 of the Bourse entitled “Joint Regulatory Financial Questionnaire and Report”. In addition, the acceptable over-collateralization rates are based on the acceptable counterparties’ existing legislative and/or regulatory requirements – including the requirements of the Office of the Superintendent of Financial Institutions of Canada, National Instrument 91-102 – “Mutual Funds” and the Technical Committee of the International Organization of Securities Commissions.

The acceptable over-collateralization rates are the maximum collateralization rates that approved participants can use in their financing transactions with acceptable counterparties without incurring a capital charge for not dealing on a value for value basis. The attached list is presented so that each category of acceptable counterparties appears in the same order as in the General Notes and Definitions of Policy C-3.

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Attachment I

**LIST OF ACCEPTABLE OVER-COLLATERALIZATION RATES FOR
FINANCING TRANSACTIONS WITH ACCEPTABLE COUNTERPARTIES**

ACCEPTABLE COUNTERPARTIES	ACCEPTABLE OVER-COLLATERALIZATION RATES
1. Canadian banks, Quebec savings banks, trust companies and loan companies	105% ¹
2. Credit and central credit unions and regional caisses populaires	105% ¹
3. Life insurance, and property and casualty companies	105% ¹
4. Canadian provincial capital cities and all other Canadian cities and municipalities, or their equivalents	100% ²
5. Mutual Funds	102% ³
6. Corporations (other than Regulated Entities)	100% ²
7. Trusts and Limited Partnerships	100% ²
8. Pension Funds	105% ¹
9. Foreign banks and trust companies	102% ⁴
10. Foreign life insurance, and property and casualty companies	102% ⁴
11. Federal governments of foreign countries, which do not qualify as Basle Accord Countries	100% ²

¹ Pursuant to the Securities Lending Guidelines from the Office of the Superintendent of Financial Institutions of Canada, the over-collateralization rate is 105%.

² These counterparties are either not subject to regulation or the regulators do not have any specific over-collateralization requirements and therefore, there is no capital relief for over-collateralization.

³ Pursuant to National Instrument 81-102 Mutual Funds, which was implemented in May 2001, the over-collateralization rate is 102%.

⁴ These institutions must be in Basle Accord countries to qualify as "acceptable counterparties". While requirements in each country vary (i.e., the U.S. and U.K. requirements range between 102% and 110%), every country requires at least 102% over-collateralization. Therefore, to be conservative, the over-collateralization rate is set at 102%.